

Meeting of the Audit Committee

4.00 pm on Tuesday, 5 February 2019
in 1B16 - Technopark, SE1 6LN

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

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		DB
2.	Declarations of interest		DB
3.	Minutes of the previous meeting	3 - 8	DB
4.	Matters arising	9 - 10	DB
	Items to discuss		
	Internal audit		
5.	Internal audit progress report	11 - 30	JM
6.	SBA internal audit report	31 - 78	JM
	External audit		
7.	External audit progress report	79 - 86	FN
	Risk and control		
8.	Corporate Risk	87 - 98	RF
9.	Brexit risk register	99 - 106	RF
	Items to note		
	Other matters		
10.	Data assurance report	107 - 112	RF
11.	Financial Regulations	113 - 160	RF
12.	TRAC return to the OfS (to ratify)	<i>To follow</i>	RF
13.	SBA external audit report	161 - 206	RF
14.	FMI Structure and leadership team	207 - 214	RF
15.	GDPR compliance update	215 - 218	JS
16.	Anti-fraud, bribery and corruption report	219 - 220	RF

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
17.	Speak up report	221 - 222	JS
18.	Audit committee business plan	223 - 228	JS
19.	Any other business		
20.	Appointment of Internal Auditors (to recommend to the Board)	<i>To follow</i>	DB
	<ul style="list-style-type: none"> • <i>In the absence of the internal auditors and the external auditors</i> 		
21.	Matters to report to the Board following the meeting		SEC

Date of next meeting
4.00 pm on Thursday, 13 June 2019

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

In attendance: David Phoenix, Natalie Ferer, Richard Flatman, James Stevenson, Justin Martin, Lucy Gresswell, Amy Chiu, Fleur Nieboer, Jack Stapleton and Askari Jafri

**Minutes of the meeting of the Audit Committee
held at 4.00 pm on Thursday, 8 November 2018
1B16 - Technopark, SE1 6LN**

Present

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

Apologies

David Phoenix

In attendance

Pat Bailey
Michael Broadway
Natalie Ferer
Richard Flatman
James Stevenson
Shân Wareing
Justin Martin
Fleur Nieboer
Jack Stapleton
Alexandra Barrington

1. Welcome and apologies

The Chair welcomed members to the meeting.

The above apology was noted.

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 4 October 2018 and their publication.

4. Matters arising

The committee noted an update on preparations for an expected Ofsted inspection of the University's apprenticeship provision. The Board would be notified when an inspection was announced.

5. ICT risk diagnostic update

The Director of Academic Related Resources presented an update on actions to address the ICT risk diagnostic internal audit findings. It was reported that all actions would be completed by 31 January 2019. The committee requested confirmation at its next meeting that all actions had been completed.

6. Quality assurance return to OfS

The committee discussed the quality assurance return to the OfS in detail. The committee noted that under OfS requirements the Board is required to sign an annual statement to confirm that it is assured that LSBU is maintaining its responsibility for improving student academic experience and student outcomes, and that academic standards are set and appropriately maintained.

The committee noted that aspects of quality assurance are regularly reported to the Board through the Vice Chancellor's report, Key Performance Indicators report and the corporate strategy progress report.

The committee noted the plan for the Quality and Standards Committee (a sub committee of the Academic Board) which would monitor the continuous improvement of the student academic experience.

Following the review by the Academic Board and the committee's review of the supporting documentation, the committee recommended the full assurance statement to the Board for approval.

Shân Wareing left the meeting

7. Prevent annual return to OfS

The committee recommended to the Board for approval the Prevent annual report including the required statement of assurance to the OfS.

8. Anti-fraud, bribery and corruption report

The committee noted the report. No instances of fraud, bribery or corruption had been identified since the previous meeting.

9. GDPR update

The committee noted the update on compliance with the general data protection regulations (GDPR). The committee noted that a data breach had been reported to the Information Commissioner's Office (ICO) in line with requirements. The committee requested that work on compliance with GDPR continues to be prioritised.

10. **Modern slavery act statement**

The committee noted the modern slavery act statement proposed by the Executive for 2017/18 to the Board.

11. **Student Residences UUK audit report**

The committee discussed the audit report on student residences. Progress on actions is being monitored by the internal auditors. The committee noted that the Board had received an assurance report at its meeting of 12 October 2017 on fire safety of major University buildings. The PwC review of the report had noted implementation action and that all areas were now deemed to have passed.

The committee requested update on completed actions at a future meeting.

12. **Speak up report**

The committee noted the Speak Up report. No new speak up matters had been raised since the last meeting.

13. **OfS annual reporting**

The committee noted the annual reporting requirements to the OfS.

14. **Audit committee business plan**

The committee noted its business plan for 2018/19.

15. **Final internal audit annual report**

The committee noted the final internal audit annual report which had been discussed in detail at its meeting of 4 October 2018. The internal auditor's opinion was unchanged.

16. **Internal audit progress report**

The committee noted the internal audit progress report for Q1 2018/19.

17. **Corporate Risk**

The committee noted the updated risk register following discussion at the Board meeting of 18 October 2018. The committee agreed to discuss the updated risk register in detail at its meeting of 5 February 2019.

18. **External audit performance against KPIs**

The committee noted that KPMG, the external auditors, had met or mostly met their agreed key performance indicators and there were no concerns during the course of the audit.

The committee requested that the KPI set is reviewed at the June 2019 audit committee meeting when the external audit plan was approved.

19. **External audit - review of non-audit services**

Fleur Nieboer joined the meeting

The committee noted that during the year 2017/18, KPMG had provided advice in relation to tax computation services. The final figures were being reviewed and would be circulated to the committee for information.

20. **External audit findings**

The external audit partner of KPMG presented the audit findings for the year ended 31 July 2018. It was reported that the audit was substantially complete pending the finalisation of a few outstanding items. The partner was planning to issue an unqualified opinion. There were no significant findings for high risk areas.

The committee discussed the identified £750k misstatement in relation to funds in a closed HSBC Euro account. Management confirmed that this was due to a breakdown in relevant controls and that a new process was now in operation.

The committee noted that the accounts of South Bank University Enterprises Ltd (SBUEL) are consolidated into LSBU's accounts. The external audit findings report covered the audit for LSBU and SBUEL.

The external audit partner confirmed KPMG's independence from LSBU.

The final external audit report would be available for the Board meeting of 22 November 2018.

The committee thanked KPMG for its work on the audit.

21. **Going concern statement**

The committee approved the going concern review and recommended that the Board approves the group accounts (which are prepared on a going concern basis). The review provided assurance for the going concern statement in the annual report and accounts.

22. Draft letter of representation to KPMG

The committee discussed the letter of representation to the auditors, which was recommended to the committee by the executive. The committee noted that the letter contained standard representations only and that no items had been inserted specific to LSBU or as a result of any matters arising during the course of the audit. The committee recommended the letter to the Board for approval.

The CFO confirmed that there were no non-standard representations in the SBUEL equivalent letter.

23. Draft annual report and accounts 2017/18

The committee reviewed the draft report and accounts for 2017/18. The draft surplus was £1.6m.

The committee discussed reporting requirements for fundraising. This would be reviewed for next year's accounts.

The executive confirmed to the committee that all information that should have been disclosed to the auditors had been disclosed to the auditors.

The committee noted the remuneration report which was being finalised following decisions of the Remuneration Committee at its meeting of 6 November 2018.

The committee recommended the accounts to the Board for approval, subject to minor amendments while the audit was being completed.

24. Audit Committee annual report

The committee approved the draft audit committee annual report to the Board, as recommended by the executive, subject to updating some sections. The final report, when signed by the Chair of the Audit Committee would be submitted to the OfS.

25. Annual review of internal controls

The committee noted the final review of internal controls which had been discussed in detail at its meeting of 4 October 2018.

26. Matters to report to the Board following the meeting

The committee noted that the annual report and accounts, the going concern statement, letter of representation to the auditors, the audit committee annual report and the review of internal controls would be reported to the Board meeting of 22 November 2018.

27. **AOB**

The committee noted that this was Steve Balmont's final meeting as Chair of the Committee. He would stand down as chair on 1 January 2019 but remain a member of the committee until he retired as a governor on 31 July 2019. The committee thanked Mr Balmont for his dedicated service as Chair.

Date of next meeting
4.00 pm, on Tuesday, 5 February 2019

Confirmed as a true record

..... (Chair)

**AUDIT COMMITTEE - THURSDAY, 8 NOVEMBER 2018
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
5.	ICT risk diagnostic update	The Committee to receive confirmation all outstanding items, as presented to the Committee on 8 November 2018 in relation to the ICT risk diagnostic internal audit findings, are completed by end of January 2019.	5 Feb 2019	David Mead	In Progress – all actions completed except for action 2 and 16 which will now be completed by end of March 2019
11.	Student Residences UUK audit report	The Committee requested an update on all the completed actions relating to the Student Residences UUK audit report findings.	13 Jun 2019	Paul Ivey	In Progress
18.	External audit performance against KPIs	The Committee requested that the set KPI is reviewed at the Audit Committee meeting in June 2019.	13 Jun 2019	Richard Flatman	In Progress

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	CONFIDENTIAL
Paper title:	Internal Audit Progress Report
Board/Committee:	Audit Committee
Date of meeting:	05 February 2019
Author(s):	PriceWaterhouseCoopers
Sponsor(s):	Richard Flatman – Chief Financial Officer
Purpose:	For information: to provide the Audit Committee with the current progress of the work undertaken by PwC on the internal audit programme
Recommendation:	The Committee is requested to note: <ul style="list-style-type: none"> • The report and its findings

Executive Summary

46% of the agreed internal audit programme for 18/19 is now complete.

Fieldwork has been completed for the Procurement review and will be presented at the next Audit Committee meeting. Additionally, a draft Student Data CAM Phase 1 has been issued and will also be presented at the next Audit Committee.

Fourteen actions have been followed up in this quarter. Five actions have been implemented (36%) and two actions have been partially implemented (14%).

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

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Internal Audit Progress Report 2018/19

*London South Bank
University*

February 2019

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Activity in the period

2



Progress against plan

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Appendices

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



Summary (1 of 2)



Purpose of this report

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

Progress against the 2018/19 internal audit plan

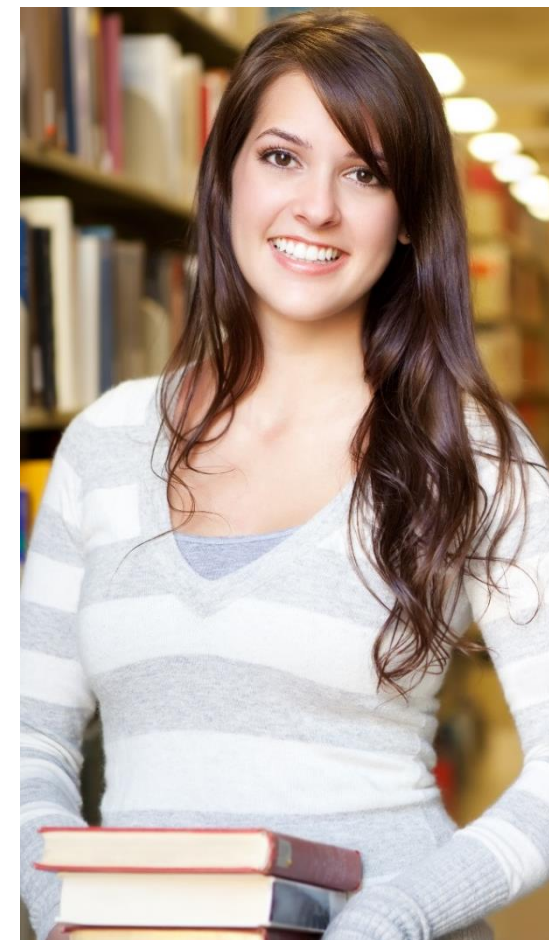
We have completed 46% of our 2018/19 internal audit programme for the year.

Fieldwork has been completed for the Procurement review and the report will be presented in the next Audit Committee. A draft report has been issued for Student Data CAM Phase 1 and will be presented at the next Audit Committee.

Additionally, we have started planning for our reviews in Q3 on IT and Phase 2 for Continuous Auditing on Key Financial Systems and Student Data.

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

- South Bank Trust Academy



Summary (2 of 2)



Findings of our Follow Up Work

We have undertaken follow up work on actions with an implementation date of 31/01/2019 or sooner. We have discussed with management the progress made in implementing actions falling due in this period. Where the finding had a priority of low or advisory, we have accepted management's assurances of their implementation; otherwise, we have sought evidence to support their response.

A total of fourteen actions have been followed up this quarter. Five actions have been implemented (36%), two actions have been partially implemented (14%) and seven actions have not been implemented (50%). Progress is summarised in Appendix A.

Other Matters

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

Recommendations

- That the Audit Committee **notes** the progress made against the 2018/19 Internal Audit Programme.
- That the Audit Committee **comments** on our final report for South Bank Academy Trust.



Activity in the period (1 of 3)



Final reports issued since the previous meeting

London South Bank Academy Trust

We reviewed the controls in place for Key Financial Controls at the Trust and Academies. Additionally, we also reviewed the controls and processes in place for Budgeting and Financial Monitoring and Student Safeguarding.

For Key Financial Controls, we identified 16 control design gaps (67%) out of 24 expected controls, across 4 of 5 key financial control areas. The exceptions relate to both Academies and wider Trust oversight by the University. This is a significant number of control gaps and exceptions, which results in this area classified as *high* risk.

Three *medium* risk findings were identified for Budgeting and Financial Monitoring where;

- The Trust does not have a formal approval process in place, that also reviews the departmental budget set by each Academy Principal. This would help facilitate an effective budget setting process;
- Both Academies do not have real time visibility of the budget through their system PS Financials, due to limited system capability. The cost centres on the system are also incorrectly inputted;
- Management accounts have been produced and reported to the Local Governing Body but had not been shared with the Academies or Trust for ongoing visibility of financial performance.

One low risk and one advisory findings were identified for Safeguarding, relating to policies and procedures, and wider governance of the measures in place by the Trust.

We note that these findings reflect the absence of a Trust Business Manager to act as a bridge between LSBU and the Trust, which has created a gap in the overall governance and oversight structure. The vacancy has now been filled during our fieldwork.

A follow up of the findings will be performed in the next Quarter and will be reported in the next Audit Committee.

Activity in the period (2 of 3)



Final reports issued since the previous meeting

Student Data CAM Phase 1

We have classified this report as low risk based on the number and severity of findings identified. Our rating criteria are set out at Appendix A. The table below summarises the number of exceptions for each period. Overall there has been an improvement in overall performance from the previous period due to the decreased number of exceptions identified.

No exceptions were identified for S4 (Student Engagement) and S9 (Changes to module data), compared to the previous phase. Although there was a general decrease in the number of exceptions identified across the controls, S2 (Tier 4 controls) had a large increase in the number of exceptions.

Control	P1 18/19 Effectiveness	P1 18/19 Control design	P2 17/18 Effectiveness	P2 17/18 Control design	Trend
S1	1	-	8	-	↓
S2	11	-	2	-	↑
S3	7	-	4	1	↑
S4	-	-	9	-	↓
S5	3	-	-	-	↑
S6	2	-	5	-	↓
S7	1	-	4	-	↓
S8	1	1	-	-	↑
S9	-	-	13	1	↓
S10	1	-	-	-	↑
S11	-	-	-	-	↔
Total	27	1	45	2	↑

Progress against 2018/19 plan (1 of 3)

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

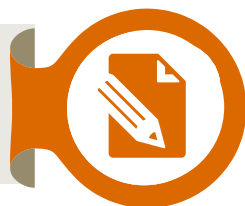
Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 1: August 2018 – October 2018											
Continuous Auditing: Key Financial Systems – January 2018 to June 2018											
15 (15)	06/07/2018	09/07/2018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

Progress against 2018/19 plan (2 of 3)



Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							● Critical	● High	● Medium	● Low	● Advisory
Quarter 3: February 2019 – April 2019											
Continuous Auditing: Key Financial System – July 2018 to December 2018											
15 (1)	17/01/2019	04/02/2019									
IT Disaster Recovery & GDPR Compliance											
17 (0)											
Continuous Auditing : Student Data - November 2018 to March 2019											
12 (0)											

Progress against 2018/19 plan (3 of 3)



Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 4: May 2019 – July 2019											
CMA Compliance											
10 (0)											
Risk Management											
5 (0)											
The London South Bank Innovation Centre (LSBIC)											
10 (0)											
Other											
18 (12)	Planning, contract management, reporting, value for money and follow up										
Total	140 (64)										

Appendices

Appendix A: Follow up (1 of 6)

Implemented

#	Review	Agreed Action	Original due date	Risk rating	Status
1	Human Resources	Review and update any current guidance relating to the options, as required and recommunicate any changes via email to Recruitment and HR teams.	03/12/2018	● Low	Implemented/ closed All agreed actions have been implemented
2	Human Resources	Confirm the policy owner and review date due for the policy, ensuring there is version control to evidence the review.	30/11/2018	● Low	Implemented/ closed All agreed actions have been implemented
3	Fire Safety Management (Healthy and Safety)	- The EAE team will provide a Fire Action Plan status update to the EAE Senior Management team periodically (at least every quarter). This should reflect what is entered into the concept system and the progress made against each agreed action. - HSR team will include a KPI for FRA actions completed/outstanding in the annual H&S reports provided to the executive board.	30/06/2018	● Medium	Implemented/ closed All agreed actions have been implemented
4	IT	- Revise the Project Initiation Document template to ensure that there is a place for benefits to be defined and appropriate metrics to measure their success. - Select a sample of new projects and define benefits in conjunction with the Project Sponsor, who will be responsible for agreeing the metrics to measure realisation. - define a role and owner that is accountable for benefits realisation in Innovation and Transformation.	31/10/2018 31/12/2018	● Medium	Implemented/ closed All agreed actions have been implemented

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Appendix A: Follow up (2 of 6)

Implemented

#	Review	Agreed Action	Original due date	Risk rating	Status
5	IT	Create a formal process that assesses project costs at the start, using defined cost metrics and measures.	31/10/2018	●	Implemented/ closed
			31/12/2018	Low	All agreed actions have been implemented

Appendix A: Follow up (3 of 6)

Partially implemented

#	Review	Agreed Action	Original due date	Risk rating	Status
6	Data Security	<p>Security</p> <p>We are not able to technically restrict unencrypted USB devices across the whole organisation as this would have a negative impact on teaching and learning, as well as on our disabled students. Instead we will begin deploying encrypted USBs to all staff that request them, and enforcing by policy; that all members of staff must use LSBU provided encrypted USBs whenever transporting any data away from their machines.</p> <p>We have not been accepting 'opt outs' for encryption policies since July 2015, we will no longer be accepting 'opt outs' for any encryption related policy. This messaging will be reinforced to our helpdesks during September.</p> <p>We have undertaken a cost benefit analysis of known desktop machines across the organisation. We have identified that public machines hold no accessible sensitive information therefore can be viewed as low risk. As a department we have decided that only sensitive devices will be encrypted.</p> <p>We recently (August 2016) implemented a system (System Centre Configuration Manager) capable of cataloguing and tracking machines across our network. This system will help to address historic tracking issues for laptops and other mobile devices. We are expecting this system to reach maturity by the end of 2016. In addition we are exploring options to restrict access to staff areas of the network to only allow registered and tracked devices (Network Access Control system) during the 16/17 academic year.</p> <p>The password parameters applied in AD are a known issue related to a deprecated system that has been decommissioned, a change request has been submitted as of 07/09/2016 to have the technical password policy parameters changed.</p> <p>We will review the listing of incomplete encryptions and remind users to ensure that these are up-to-date so they are actively encrypted. As above, this work will be covered as part of our SCCM database.</p>	30/05/2018	<p>●</p> <p>High</p>	<p>As updated to the Audit Committee on 8 November 2018, the majority of this action has been implemented.</p> <p>We are awaiting an update on a minor part of the action relating to the password parameters including the number of attempts a user can try before they are locked out.</p> <p>Continue to chase.</p>

Appendix A: Follow up (4 of 6)

Partially implemented

#	Review	Agreed Action	Original due date	Risk rating	Status
7	International Partnership Arrangements	The international Office will work with the systems team in Research Enterprise & Innovation to enable the use of their Haplo software platform to track and manage all potential partnership activity. This will enable snapshot reporting of progress across the institution enabling all interested parties to track progress in real time, and utilise the CRM benefits within this platform	30/09/2018 31/12/2018	● Medium	No response received – action owner is on annual leave until 1 February 2019.

Appendix A: Follow up (5 of 6)

Not implemented

#	Review	Agreed Action	Original due date	Risk rating	Status
8	IT	Begin developing a high level view of the IT infrastructure that supports the university. As minimum this should make reference to networking devices, databases, servers, applications, operating system and end user devices.	14/12/2018	● Medium	Enterprise Architect has been appointed by LSBU back in November and is now actively constructing the Enterprise Architecture mappings for the University and actively working alongside PWC representatives to feed into their program. Revised completion date: 30 April 2019
Page 27	IT	- Create an additional two columns in the Technical Roadmap spreadsheet where the project can show alignment to IT Strategy, and how that IT Strategy aligns to the Corporate Strategy.	31/10/2018	● Medium	Technical Roadmap Documentation is currently under review and being amended. Although not finalised, the corresponding actions set out by PWC will be incorporated to the new design. Revised completion date: 8 February 2019
		- Establish metrics for assessing how projects are aligned to corporate objectives.	31/12/2018		
10	IT	- Review the terms of reference to define the missing criteria in conjunction with the wider ICT team. - Define exceptions criteria that details the nature of projects that should bypass TDA, - Define in the terms of reference, the timeline and point in time at which projects are required to report to the TDA.	31/10/2018 31/12/2018	● Medium	Colleagues in IT Services (separate department) have taken accountability for re-writing the Technical Design Authority TOR. They are reviewing and revising the whole process for submission to the Director of ARR ahead of next Technical Roadmap Board Feb 2019. Revised completion date: 28 February 2019
11	International Partnership Arrangements	The revised policy document introduces the required assessment stages in the partnership due diligence process. A partnerships update report is now provided to the Executive every 6 months, to provide progress updates on the partnership closure programme where existing relationships do not meet the new threshold, and this also incorporates a pilot programme incorporating external input from external accountants with regard to the assessment of new partners. This report will ratify all current partnerships on a post facto basis, and the new Senior Partnerships manager will take responsibility for tracking this progress.	30/11/2018	● High	No response received – action owner is on annual leave until 1 February 2019.

Appendix A: Follow up (6 of 6)

Not implemented

#	Review	Agreed Action	Original due date	Risk rating	Status
12	International Partnership Arrangements	<p>A shared digital drive for partnerships is now in place which enables all parties to securely store and access the relevant documents for the ongoing management and reporting of partnership activity.</p> <p>A new financial model is in development, which will enable the measurement of partnership financial performance on an ongoing basis.</p>	31/11/2018	<p>●</p> <p>High</p>	No response received – action owner is on annual leave until 1 February 2019.
	Risk Management	We will ensure that responsibility for producing and circulating minutes of review meetings is clearly articulated in the guidance being developed for the 18/19 cycle as part of the OEG project around strategy and planning.	30/11/2018	<p>●</p> <p>Medium</p>	No response received. Continue to chase.
14	Risk Management	We will work with the software vendor to address the issue around empty field titles appearing in the report, and consider how the platform could record & report where the risks are being 'tolerated', indicating that the review at the Organisational Effectiveness Meetings judge the current controls to be providing acceptable mitigation of the identified risks.	30/11/2018	<p>●</p> <p>Advisory</p>	No response received. Continue to chase.

Appendix B: Recent publications and thought leadership

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

1) HE Perspectives: Student Value - Student Perceptions of Value for Money

For many years, the Higher Education Policy Institute (HEPI) has been asking students about their value-for-money perceptions. The general trend, especially in England, has been getting worse. In 2017/18, the HEPI / Advance HE Student Academic Experience Survey showed 32% of UK students thought they were getting ‘poor’ or ‘very poor’ value for money from their course, up from 18% in 2011/12.

This decline is largely down to the upward shift in fees. The sticker price of courses increased far more than the total amount spent on each student’s education, for much of the higher fee simply replaced direct funding from government.

Student expectations of IT and Technology

In March 2018 the Office for Students (OfS) published major new research exploring student perceptions of value for money. Indeed 77% of students agreed that tuition fees should fund IT resources during their time at university. Most students stated that printing should also be subsidised and that institutions should be wholly responsible for paying for specialist software. 81% of students consider learning resources (IT, library, etc.) very important in demonstrating value for money.

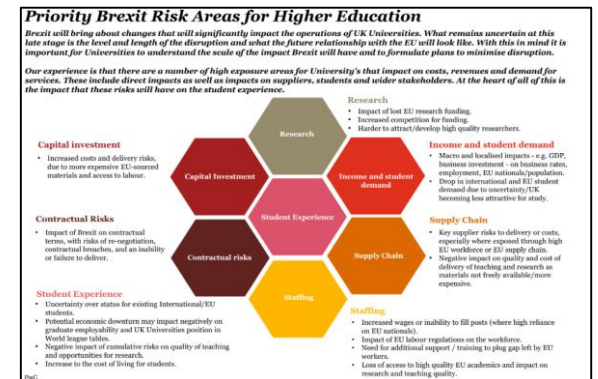
Articulating value: how can universities deliver for students

What is the value of university, and who benefits? How can universities prove to students that an investment of 3 years and over £27k is worth it? And how do students make decisions about which university to attend?

The most obvious benefit is improved career aspirations. The graduate premium in the UK is worth c.£10k or 40% even in the first year after graduating. The student experience is also socially enriching. A Universities UK report argued that students who attend university have more interest in politics, higher levels of interpersonal trust and better self-reported health compared to those who do not attend university..

2) Priority Brexit Risk Areas for Higher Education

Earlier in the month, we have provided you with a short flyer with a summary of our views on those priority areas for Higher Education where Brexit may have the biggest impact with links to further sources of information. We have also included on our website a short series of questions that will allow you to assess the University’s current Brexit readiness: <https://www.pwc.co.uk/the-eu-referendum.html>



We are happy to provide full electronic or hard copy versions of these documents at your request. All publications can be read in full at www.psrc.pwc.com/ and www.pwc.blogs.com/publicsectormatters/education/

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	CONFIDENTIAL
Paper title:	Internal Audit – South Bank Academy Trust
Board/Committee:	Audit Committee
Date of meeting:	05 February 2019
Author(s):	Pricewaterhouse Coopers
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Information
Recommendation:	Committee is requested to note the report and its findings

Executive Summary

The report is classified overall as high risk, with 16 identified control design gaps out of 24 expected controls, across 4 of 5 key financial control areas. The exceptions relate to both Academies and wider Trust oversight by the University.

The detailed findings are covered on pages 7-31, with management responses.

The Committee is requested to note the report and its findings.

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Internal Audit Report 2018/19

South Bank Academy Trust

*London South Bank
University*

November 2018

Final

Page 33


Click to launch

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Executive summary

1 

Background and scope

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Findings

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Appendices

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

Distribution list

For action: Natalie Ferer (Financial Controller)

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



Executive summary (1 of 3)

Report classification

High Risk



Trend

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

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	0	16	3	1	1
Operating effectiveness	0	0	0	0	0
Total	0	16	3	1	1



Summary of findings - Common Themes

For key financial controls, we identified 16 control design gaps (67%) out of 24 expected controls, across 4 of 5 key financial control areas. The exceptions relate to both Academies and wider Trust oversight by the University. This is a significant number of control gaps and exceptions, which results in this area classified as *high* risk.

Three *medium* risk findings were identified for Budgeting and Financial Monitoring where;

- The Trust does not have a formal approval process in place, that also reviews the departmental budget set by each Academy Principal. This would help facilitate an effective budget setting process;
- Both Academies do not have real time visibility of the budget through their system PS Financials, due to limited system capability. The cost centres on the system are also incorrectly inputted;
- Management accounts have been produced and reported to the Local Governing Body but had not been shared with the Academies or Trust for ongoing visibility of financial performance.

One low risk and one advisory findings were identified for Safeguarding, relating to policies and procedures, and wider governance of the measures in place by the Trust.

We note that these findings reflect the absence of a Trust Business Manager to act as a bridge between LSBU and the Trust, which has created a gap in the overall governance and oversight structure. The vacancy has now been filled during our fieldwork.

Executive summary (2 of 3)



Good practice noted















Staff safeguarding responsibilities and accountabilities are well defined and effective controls are in place to ensure any Safeguarding issues are reported and escalated in a timely manner.

An overview of the number of findings and their risk rating is summarised in a table on the next page.

Our detailed findings are set out in Findings section of this report, starting on page 9. Our rating criteria are set out at Appendix A.

Executive summary (3 of 3)

The table below summarises the number of control design exceptions identified from our review. A total of 16 control design exceptions have been identified across 4 of 5 key financial control areas. Three exceptions have been identified in Budgeting and Financial Monitoring across both the Academies and the University. Safeguarding two exceptions that are low risk and advisory.

Scope areas	University Academy of Engineering South Bank in Southwark (UAESB)	South Bank Engineering UTC	Total control design issues identified
1. Key Financial Controls – Control design			
Payroll	 Green (0)	 Green (0)	-
Accounts Payable	 Red (5)	 Red (6)	6
Accounts Receivable	 Red (4)	 Amber (2)	4
Cash	 Red (3)	 Red (3)	3
General Ledger	 Red (3)	 Red (3)	3
2. Budgeting and Financial Monitoring	 Amber (3)	 Amber (3)	3
3. Safeguarding	 Green (2)	 Green (1)	2

Background and scope



Background

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

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

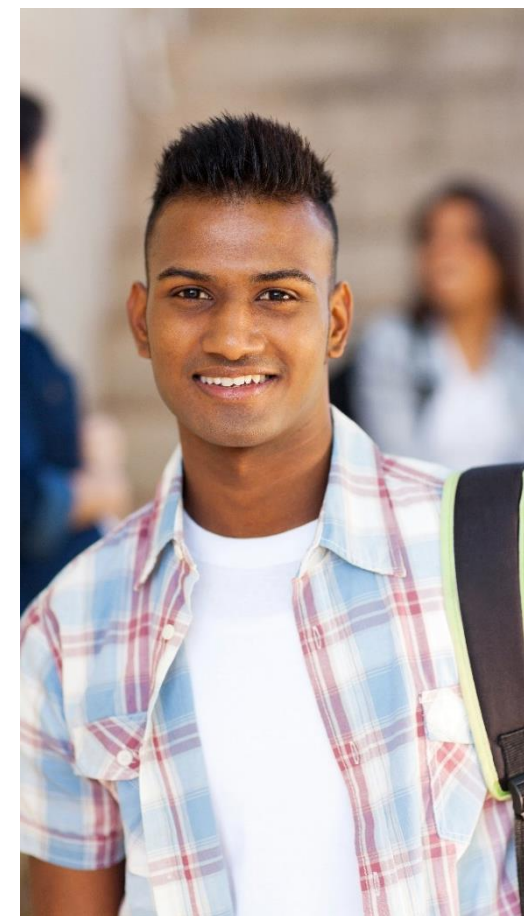
This internal audit will review the controls in place for Key Financial Controls. Additionally, we will review the controls and processes in place for Budgeting and Financial Monitoring and Student Safeguarding. For Safeguarding, we are will previous consultancy reports as part of our walkthrough and background understanding. We will not comment on the subject matter itself.

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

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

x = area of primary focus

x = possible area of secondary focus



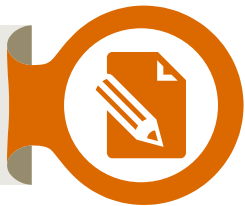
Detailed Findings – Key Financial Controls – Control Design

1. Payroll (1 of 2)

Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>P1 Starters:</p> <p>Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system (or equivalent).</p>	●	●	N/A
<p>P2 Leavers:</p> <p>Documentation, including evidence of line manager approval, is received from HR upon notification of resignation or redundancy.</p>	●	●	N/A
<p>P3 Payroll Changes:</p> <p>Variation forms, with supporting documentation, are received prior to any changes being made to standing data.</p>	●	●	N/A

Detailed Findings – Key Financial Controls – Control Design

1. Payroll (2 of 2)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>P4 Payroll Payment Processing:</p> <p>The BACS payment run is reviewed by FC / FD and a Payment Release Form completed (or equivalent)</p>	●	●	N/A
<p>P5 Payroll System Access:</p> <p>Access to the payroll system is restricted to appropriate and authorised personnel.</p>	●	●	N/A

Detailed Findings – Key Financial Controls – Control Design

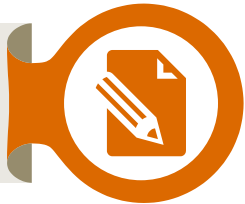
2. Accounts Payable (1 of 9)



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

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (2 of 9)



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Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP2 Supplier Set up:</p> <p>Documentation must be reviewed with authorisation prior to creating a new supplier record.</p>	●	●	<ul style="list-style-type: none"> Where supplier details have been obtained via email or a call, there is no independent sign off from the supplier to confirm the accuracy and completeness of details provided. The Finance Officer can set suppliers up in the accounting system and can also raise PO's, therefore an segregation of duties issue arises. <p>UAESB</p> <ul style="list-style-type: none"> New Supplier Form' is not required to be completed for 'one-off' suppliers. No monitoring controls are in place to ensure where a 'one-off' supplier is used again, the 'New Supplier Form' process is initiated, completed and approved. <p>SBE UTC</p> <ul style="list-style-type: none"> There is no documentation to define the individuals responsible for approving 'New Supplier Forms'. This is particularly important for when the Principal is absent.

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (3 of 9)



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

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (4 of 9)



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Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP3 Supplier Changes:</p> <p>Documentation must be reviewed with authorisation prior to amending a new supplier record, especially for bank account changes</p>	●	●	<ul style="list-style-type: none"> • There is no process in place to approve supplier changes, by an authorised individual, prior to the change being reflected directly in the accounting system. • Finance Officers can amend supplier details in the accounting system and also raise PO's, which is segregation of duties issue. • There is no process to log or maintain evidence of the calls made by either Academy with the supplier to confirm and validate the changes to be processed. <p>UAESB</p> <ul style="list-style-type: none"> • Email documentation of the supplier change being requested is not maintained for all supplier change requests processed. • No listing is maintained of all supplier changes processed and this therefore gives rise to a completeness issue. <p>Management response:</p> <p>Same as AP2. In addition a list of supplier changes will be maintained and checked by Trust staff when supplier payments are authorised.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31st January 2019</p>

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (5 of 9)

Key Control	UAESB	SBE UTC	Details on Control Design issues
AP4 UAESB Purchasing Policy/Scheme of Delegation: Defined Purchasing policy and criteria that is reviewed at least annually.	●	●	N/A
AP5 PO Authorisation: Purchases are pre-approved either through a PO or manually before purchase.	●	●	<ul style="list-style-type: none"> No defined PO policy exists to outline the types of spend where PO's are required/not required and the approval limits in place for PO authorisation.

Management response:

The list of purchases that do not require a PO will be clarified and set out in the Trusts financial procedures. Approval limits, in line with the Trust Scheme of delegation, will be confirmed annually in the Letters of Delegation issued to School Head Teachers and other senior staff within the Trust.

Responsibility for action:

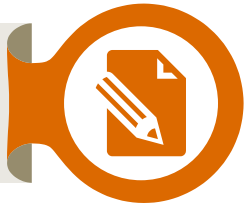
Natalie Ferer, Financial Controller

Clym Cunnington, Trust Business Manager

Date: 30th November 2018

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (6 of 9)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP6 Invoice Receipt & Authorisation:</p> <p>Invoices are approved for payment by an appropriately authorised individual.</p> <p>Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.</p>	<p>●</p>	<p>●</p>	<ul style="list-style-type: none"> • There is no documented evidence of the 3 way match process. Once invoices are received, they are manually matched to the corresponding POs but there is no evidence of this being performed and PO numbers are not recorded on the invoices. Therefore there is limited assurance on the invoice being matched to the correct pre-approved spend. • There is no formalised documentation in place to outline who is authorised to approve invoices and the limits/thresholds set. <p>Management response:</p> <p>Finance officers in the schools have been retrained to ensure that POs are matched against invoices and this process is documented by entering the PO number on the physical invoice. Going forward we are investigating automation of this process through the accounting system, PS Financials.</p> <p>The scheme of delegation for approval of POs and purchase invoices will be clarified in written financial procedures and will be confirmed annually in the Letters of Delegation issued to School Head Teachers and other senior staff within the Trust, as mentioned in AP5 above.</p> <p><u>Responsibility for Action:</u> Clym Cunningham, Trust Business Manager</p> <p><u>Date:</u> 30th April 2019</p>

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (7 of 9)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AP7 Goods Receipt:</p> <p>Goods receipt notes are approved by either the requestor or the finance officer.</p>	●	●	<p>SBE UTC</p> <ul style="list-style-type: none"> No evidence exists of the physical goods receipt note to PO matching process, which is performed outside of the accounting system. <p>Management response:</p> <p>Finance officers in the schools have been retrained to ensure that goods receipt notes are matched against POs and that this process is documented by entering the PO number on the goods receipt note as well as the invoice.</p> <p><u>Responsibility for Action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 30th April 2019</p>

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (8 of 9)



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

Detailed Findings – Key Financial Controls – Control Design

2. Accounts Payable (9 of 9)



Key Control	UAESB	SBE UTC	Details on Control Design issues
AP9 Payment Processing (Cheque): Cheque book is maintained in a secure location in a locket cabinet. Access to the cheque book is restricted to those with appropriate authority, in line with the Trust's internal authorisation matrix and bank mandate.	●	●	N/A

Detailed Findings – Key Financial Controls – Control Design

3. Accounts Receivable (1 of 3)





Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AR1 Income:</p> <p>Any income received by the Academy is properly and appropriately recorded, logged and monitored to ensure the collectability and the appropriate follow up on any significant overdue balances.</p> <p>Accurate and detailed records are maintained by finance staff to track amounts committed and amounts recovered for example, school trips or school dinners (inside or outside of applicable systems).</p>	<p>●</p>	<p>●</p>	<p>UAESB</p> <ul style="list-style-type: none"> • There is no formalised or documented approach to debt collection and monitoring of ParentPay overdrawn balances- this is where students have been charged for school meals, but parents have not loaded funds to the online system to pay for this. • There is no formalised process in place to ensure that amounts committed for school trips by students are reconciled back to both cash balances subsequently received or funds loaded onto the ParentPay system online. • No controls exist or are in place to regularly monitor ParentPay balances on a student by student basis to ensure the appropriate follow up on any negative (credit) balances on ParentPay accounts. <p>Management response:</p> <p>A process is being put together and will be formalised, ensuring that amounts received are clearly documented, recorded on the accounting system and reconciled to Parent Pay. A process will also be put in place to chase up and take action when payment is not received as expected.</p> <p>Responsibility for action: Clym Cunningham, Trust Business Manager</p>

Detailed Findings – Key Financial Controls – Control Design

3. Accounts Receivable (2 of 3)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>AR2 Debt (AR) Monitoring: Debts are regularly monitored by finance staff to ensure appropriate chasing and follow up on any significantly overdue balances.</p>			<p>UAESB There is no defined process in place for the ongoing monitoring of debt balances, particularly those relating to school dinners on the ParentPay system.</p> <p>Management response: Same as AR1 for Parent Pay receipts. In addition the Trust Business Manager will review all debts with school staff and agree action when amounts remain unpaid.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31st May 2019</p>

Detailed Findings – Key Financial Controls – Control Design

3. Accounts Receivable (3 of 3)



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

Detailed Findings – Key Financial Controls – Control Design

4. Cash (1 of 3)



Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>C1 Bank Reconciliations:</p> <p>Bank reconciliations are performed on a regular, periodic basis to reconcile ledger balances to bank balances. These are reviewed by the appropriate authority and there is sufficient follow up on any discrepancies/reconciling items.</p>	●	●	<p>South Bank Academy Trust / LSBU</p> <ul style="list-style-type: none"> • Two segregation of duties issues exist: <ul style="list-style-type: none"> ○ Bank reconciliations are prepared by staff who have journal posting access in the accounting system. ○ The reviewer of bank reconciliations also has journal posting access in the accounting system. • Bank reconciliations may get signed off and approved by inappropriate staff that do not have knowledge on Academy bank account balances and movements. <p>Management response:</p> <p>Bank reconciliations will continue to be reviewed monthly by members of the University Finance team to ensure appropriate segregation of duties.</p> <p><u>Responsibility for action:</u> Natalie Ferer, Financial Controller</p> <p><u>Date:</u> 30th November 2018</p>

Detailed Findings – Key Financial Controls – Control Design

4. Cash (2 of 3)



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Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>C2 GL Posting Access:</p> <p>Access to post to the cash GL in the accounting system is restricted to those with appropriate authority (Bank reconciliation preparers and reviewers should not have such access).</p>	●	●	<p>South Bank Academy Trust / LSBU</p> <ul style="list-style-type: none"> The Trust does not have a process in place to regularly review user access to the accounting system to ensure the appropriate people have the appropriate access rights, in line with their specific roles & responsibilities. <p>Management response:</p> <p>A periodic review of system access will be put in place to ensure that access is appropriate and up to date and that staff who have left or moved roles have their access removed or changed.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31st January 2019</p>

Detailed Findings – Key Financial Controls – Control Design

4. Cash (3 of 3)

Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>C3 Physical Cash Balances:</p> <p>Physical cash received by the schools is properly accounted for and there is a clear log of any such cash balances.</p>	●	●	N/A
<p>C4 Bank Mandate:</p> <p>An up to date bank mandate is maintained by Trust management to outline who is responsible for approving payments in the banking system.</p>	N/A	N/A	<p>South Bank Academy Trust / LSBU</p> <ul style="list-style-type: none"> An up to date bank mandate is not maintained by Trust management and there is therefore lack of documentation available to show the authorised individuals responsible for approving payments in the banking system.

Management response:

Since this review took place, Lloyds have confirmed the bank mandate they hold. Going forward a list will be kept of staff who are listed on the bank mandate and those set up as users on the Lloyds online banking system as well as their access, roles and signing limits.

Responsibility for action:

Natalie Ferer, Financial Controller

Clym Cunnington, Trust Business Manager

Date: 31st December 2018

Detailed Findings – Key Financial Controls – Control Design

5. General Ledger (1 of 3)

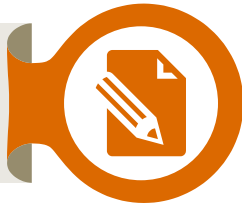


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Key Control	UAESB	SBE UTC	Details on Control Design issues
<p>GL1 General Ledger Review:</p> <p>An overall review of the GL is performed on a regular (monthly/quarterly) basis by someone of the appropriate authority and seniority.</p>	N/A	N/A	<p>South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

Detailed Findings – Key Financial Controls – Control Design

5. General Ledger (2 of 3)



Key Control	UAESB	SBE UTC	Details on Control Design issues
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<p>GL2 GL Posting Access:</p> <p>Access to post to the cash GL in the accounting system is restricted to those with appropriate authority (Bank reconciliation preparers and reviewers should not have such access).</p>	●	●	<ul style="list-style-type: none"> There is no regular review of user access to the banking system to ensure that individuals have the right access levels in the system based on their roles and responsibilities within each Academy.
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Management response:

As with control C4, a list will be kept of staff who are set up as users on the Lloyds online banking system as well as their access, roles and signing limits. This will be reviewed as and when staff changes take place.

Responsibility for action:

Natalie Ferer, Financial Controller

Clym Cunnington, Trust Business Manager

Date: 31st December 2018

Detailed Findings – Key Financial Controls – Control Design

5. General Ledger (3 of 3)



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

Management response:

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

Responsibility for action:

Natalie Ferer, Financial Controller

Clym Cunnington, Trust Business Manager

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

Budgeting and Financial Monitoring
Budget Setting and Approval
Control Design **1**

Page 59

Finding rating

Rating **Medium**

Findings

The Trust does not have a formal approval process in place, that also reviews the departmental budget set by each Academy Principal. This would help facilitate an effective budget setting process.

At the time of our audit, the recruited Trust Business Manager had not started and this had presented a communication and reporting gap between the Trust and the Academy for a number of months.

Implications

The budget set by the Academy does not provide an accurate representation of Academy spend for the upcoming academic year.

Comparison of actual spend to budgeted spend has significant variances due to lack of review by the Trust or LSBU. This leaves significant under or over spend for each Academy.

Agreed action

- a) A formal cycle of budget setting , approval , monitoring and forecasting will be put in place. In addition we are in the process of setting up live budget information on PS Financials as well as establishing monthly management information for budget managers across the Trust.

Responsible person/title:

Clym Cunnington, Trust Business Manager

Target date:

28th February 2019

Reference number:

1

Budgeting and Financial Monitoring

Budget Tracking and Monitoring

Control Design

2

Page 60

Finding rating

Rating

Medium

Findings

Both Academies do not have real time visibility of the budget through their system PS Financials, due to limited system capability. The cost centres on the system are also incorrectly inputted.

Due to this, there has been no monitoring in place due to system ability and the inaccuracies on the system.

Implications

The Academy does not have ongoing visibility of spend and budgets set may therefore not be managed appropriately.

Comparison of actual spend to budgeted spend varies significantly and therefore the Academy may under or over spend.

Agreed action

- a) As with Control Design 1, we are in the process of setting up live budget information on PS Financials as well as establishing monthly management information for budget managers across the Trust.

Responsible person/title:

Clym Cunningham, Trust Business Manager

Target date:

28th February 2019

Reference number:

2

Budgeting and Financial Monitoring

Management Accounts reporting

Control Design

3

Page 64

Finding rating

Rating

Medium

Findings

Regular monthly management accounts should be produced to give both the Academies and the Trust ongoing visibility of financial performance.

Management accounts have been produced and reported to the Local Governing Body but had not been shared with the Academies or Trust.

Implications

The Academy and the Trust have no oversight on financial performance and monitoring, which may impact the decision-making process.

Agreed action

- a) As with Control Designs 1 and 2, we will establish a routine of issuing monthly management information for budget managers across the Trust.

Responsible person/title:

Clym Cunnington, Trust Business Manager

Target date:

29th February 2019

Reference number:

3

Safeguarding at UAESB
Policies and Procedures

Control Design

4

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Finding rating

Rating

Low

Findings

The policies and procedures available for Safeguarding at UAESB have not been kept up to date and in line with their annual review and update as stated for January – February 2017.

There is a lack of overall governance in place for the Academy’s policies and procedure documents to be reviewed, ratified and for any changes to be approved.

Implications

Both staff and students at the Academy are not aware, knowledgeable or comfortable with the area of Safeguarding and therefore do not know how to handle and manage Safeguarding issues in the required manner.

Agreed action

- a) Safeguarding policies at the Trust are currently being updated. This will include an annual requirement for staff training .

Responsible person/title:

Clym Cunnington, Trust Business Manager

Target date:

30th November 2018

Reference number:

4

Safeguarding
Wider Governance
Control Design

5

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Finding rating

Rating **Advisory**

Findings

Although safeguarding measures are embedded at both Academies, we would recommend that the overall Trust considers implementing a wider governance structure for this subject matter.

This will allow for a more strategic overview of the safeguarding measures in place at both Academies and to provide wider support and assurance on, for example, the Academies' alignment with wider government requirements and regulations.

Implications

N/A – Advisory only

Agreed action

- a) The Board is looking to introduce the right level of reporting and scrutiny at Trust level and this is likely to tie in with the appointment of independent chairs at Trust and school level.

Responsible person/title:

Michael Broadway,
Governance Manager

Target date:

28th February 2019

Reference number:

5



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**




Appendices

Page 64

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
 Red	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.
 Amber	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
 Green	Limited exceptions identified in the course of our work Control failures which, individually or in aggregate, do not appear to have resulted in the misstatement of the organisations financial records.

Control design improvement classifications

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

Critical

A finding that could have a:

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

Appendix A: Basis of our classifications

High

A finding that could have a:

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

Medium

A finding that could have a:

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

Low

A finding that could have a:

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

Advisory

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

**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendix B: Terms of reference

South Bank Academy Trust

To: Richard Flatman – Chief Financial Officer

From: Justin Martin – Head of Internal Audit

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Background and audit objectives



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

Background and audit objectives

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

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

This internal audit will review the controls in place for Key Financial Controls. Additionally, we will review the controls and processes in place for Budgeting and Financial Monitoring and Student Safeguarding. For Safeguarding, we are will previous consultancy reports as part of our walkthrough and background understanding. We will not comment on the subject matter itself.

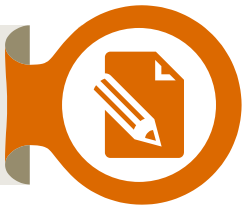
We believe our work will touch upon the following areas of our annual report to Audit Committee:

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

X = area of primary focus

x = possible area of secondary focus

Audit scope and approach (1 of 3)

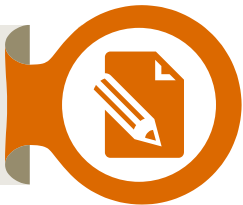


Scope

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

Sub-process	Control Objectives
<p>Key Financial Controls (Control Design only)</p>	<p>Review whether the key controls are in place for the following processes:</p> <p>Accounts Payable</p> <ul style="list-style-type: none"> • Expenditure commitments are made with prior budgetary approval. • Payments are made only following the satisfactory receipt of goods or services. • Payments are made only to valid suppliers. <p>Accounts Receivable</p> <ul style="list-style-type: none"> • Debts due are collected promptly. • Fee income is collected on a timely basis. <p>Cash</p> <ul style="list-style-type: none"> • Cash ledger balances are accurate and complete. • Cash is not lost or misappropriated. <p>General Ledger</p> <ul style="list-style-type: none"> • Ledger balances are valid and accurate <p>Payroll</p> <ul style="list-style-type: none"> • Accurate payments are made to valid employees of the organisation.

Audit scope and approach (2 of 3)

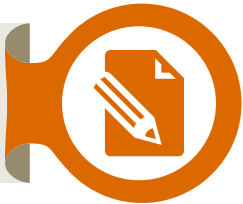


Scope

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

Sub-process	Control Objectives
<p>Budgeting and Financial Monitoring</p>	<p>Review whether the key controls stated within Sections 2.1 and 2.3 of the Academies' Financial Handbook 2018 are in place and appropriate. We will focus on the areas below:</p> <ul style="list-style-type: none"> Financial oversight (<i>reference 2.1.1. – 2.1.5. of the Handbook</i>); Budgeting including budget setting and budget monitoring (<i>reference 2.3.3 of the Handbook</i>).
<p>Safeguarding</p> <p><i>(We will review the previous consultancy reports on the subject matter as part of the walkthrough)</i></p>	<p>Policies, procedures, roles and responsibilities are in place to ensure the Academies' safeguarding duties are clear and operating.</p> <p>There is regularly updated guidance and training that is available and understood by staff, who follow the process to ensure appropriate support is provided, where needed, in a timely manner.</p> <p>There is appropriate oversight and upward reporting to ensure Safeguarding issues and all incidents are captured and timely actions are put in place to address them.</p> <p>Staff accountabilities are defined and in place to ensure action is taken by those responsible, to alleviate poor performance, resolve incidents and rectify issues in a timely manner.</p>

Audit scope and approach (3 of 3)



Limitations of scope

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

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

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

For Key Financial Controls part of the scope, we will be performing a walkthrough to understand the controls that are designed in place. We will not be testing its operating effectiveness.

We note that for Safeguarding, there has been a recent review performed by the Local Authority for UTC and Ofsted inspections take place for UAESB. These are focused on the subject matter, whilst we will focus on whether key controls and processes are in place. We will not comment on the appropriateness of the Safeguarding measures.

Audit approach

Our audit approach is as follows:

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



Internal audit team and key contacts (1 of 3)



Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	Telephone: 0207 212 4269 Email: justin.f.martin@pwc.com
Amy Chiu	Engagement Manager	Telephone: 07843 330 912 Email: amy.chiu@pwc.com
Sanjay Thakrar	Internal Audit Supervisor	Telephone: 07841 467436 Email: sanjay.thakrar@pwc.com
Nafis Seyam	Internal Auditor	Telephone: 07718 981 010 Email: nafis.seyam@pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Chief Financial Officer (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference Review draft report
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Review and approve final report Hold initial scoping meeting
Natalie Ferer	Financial Controller	0207 815 6316 ferern@lsbu.ac.uk	Review and meet to discuss issues arising and develop management responses and action plan
Nicole Louis	Chief Executive Officer, South Bank Academy Trust	TBC	Receive draft and final terms of reference Receive draft report Receive final report

Internal audit team and key contacts (2 of 3)



Key contacts for Key Financial Controls scope

Name	Title	Contact details	
Michael Okelola	Interim Financial Accountant, LSBU	okelolam@lsbu.ac.uk	Part of the LSBU team overseeing South Bank Academy Trust
Sharlyn Villamayor	School Finance Officer, UAESB (University Academy of Engineering South Bank)	Sharlyn.Villamayor@uaesouthbank.org.uk	For all Finance queries including Payroll
Natasha Padmore	School Finance Officer , UTC (South Bank Engineering University Technical College)	Natasha.Padmore@southbank-utc.co.uk	For all Finance queries excluding Payroll
Jacqui Collins	Marketing Manager, UTC	Jacqui.Collins@southbank-utc.co.uk	Payroll queries

Key contacts for Budgeting and Financial Monitoring scope

Name	Title	Contact details	
John Taylor	Head Teacher, UAESB (University Academy of Engineering South Bank)	John.Taylor@uaesouthbank.org.uk	For all Finance queries including Payroll
Dan Cundy	Head Teacher, UTC (South Bank Engineering University Technical College)	Dan.Cundy@southbank-utc.co.uk	For all Finance queries excluding Payroll

Internal audit team and key contacts (3 of 3)



Key contacts for Safeguarding scope

Name	Title	Contact details	
Rob Harding	Safeguarding lead - UAESB	TBC	Safeguarding Lead for University Academy of Engineering South Bank
John Taylor	Head Teacher, UAESB	John.Taylor@uaesouthbank.org.uk	Additional Safeguarding contact
Dan Cundy	Head Teacher, UTC	Dan.Cundy@southbank-utc.co.uk	To confirm Safeguarding Lead for South Bank Engineering University Technical College

Timetable



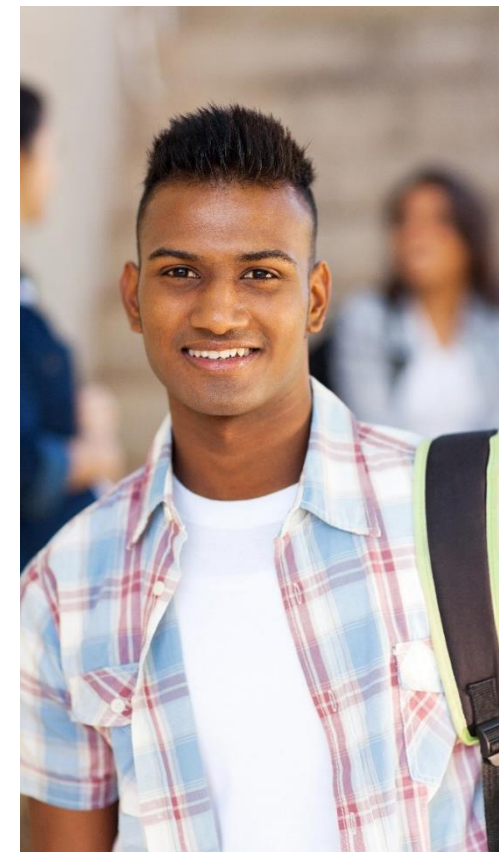
Timetable

Fieldwork start	26 September 2018
Fieldwork completed	5 October 2018
Draft report to client	19 October 2018
Response from client	2 November 2018
Final report to client	9 November 2018

Agreed timescales are subject to the following assumptions:

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

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



Information Request



Ahead of the audit fieldwork date, please provide:

- Any policies or process notes covering the areas set out on page 3.

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

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

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor’s work

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

Internal control

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

Future periods

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

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

Responsibilities of management and internal auditors

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

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

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

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

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

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

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Agenda Item 7

	CONFIDENTIAL
Paper title:	External Audit Progress Report
Board/Committee:	Audit Committee
Date of meeting:	05 February 2019
Author(s):	KPMG
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Information
Recommendation:	Committee is requested to note the update from KPMG

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Progress Report and Technical Update

London South Bank University
External Audit 2018-19
February 2019

External Audit Progress Report – February 2019

Since the last Audit Committee on 9 November we have...

- Concluded our 2017/18 audit, and signed our opinions on the University and SBUEL accounts;
- Discussed the accounting treatment for the acquisition of Lambeth College with management; and
- Agreed to conduct the audit of the final six month period of Lambeth College.

Ahead of the next meeting of the Audit Committee in June 2019 we will have...

- Met with management to agree the timing of our interim and final audit visits; and
- Completed our planning procedures and prepared our Audit Plan for 2018/19.

Actions arising from this report

We ask the Audit Committee to:

- **NOTE** this progress report.

Contacts

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Partner

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Senior Manager

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jack.stapleton@kpmg.co.uk

Statement of Recommended Practice (SoRP) 2019	KPMG Insight
<p>All Further Education and Higher Education institutions in England must produce strategic reports and accounts to allow scrutiny of the year's operations and outcomes. The SoRP provides an interpretation of FRS 102 to aid the practical implementation of this accounting standard.</p> <p>The SoRP 2019 was released in October 2018 and must be applied to all accounting periods beginning on or after 1 January 2019, although early adoption is permitted and more detailed guidance will be released in early 2019.</p> <p>There are no significant changes when compared to SoRP 2015 with the majority of the amendments clarifying, rather than changing, the accounting treatment.</p> <p>The main changes (as outlined in more detail in the SoRP below) likely to affect Further and Higher Education institutions are:</p> <ul style="list-style-type: none"> • Gift Aid: the amendment provides an exception whereby wholly owned subsidiaries will not need to recognise a current tax expense when it is probable that its taxable profits will be relieved by an expected gift aid payment in the following nine months. • Consolidation: a subsidiary may be excluded from consolidation where its inclusion is not material for the purpose of giving a true and fair view • Investment property: an accounting policy choice has been introduced for entities that rent investment property to another group entity, whereby they can choose to measure the investment property either at cost (less depreciation and impairment) or at fair value <p>For a full copy of the updated SoRP, please see: https://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/statement-of-recommended-practice-2019.aspx</p> <p>Looking ahead there are future accounting policy changes which may impact both Further and Higher Education institutions and these are outlined below;</p> <ul style="list-style-type: none"> ➤ The distinction between finance and operating leases remains in SORP 2019; however, following the recent change in the International Financial Reporting Standards to recognise almost all leases on the Statement of Financial Position this will likely be adopted in FRS 102 at some point in the future. ➤ The other potential change is in respect of accounting for government grants. SoRP 2019 continues to allow further and higher education institutions a choice of accounting treatment between the accruals and performance models. This is unlike the Charities SoRP which offers no choice of accounting policy and thus could be restricted in the future. 	<p>Although the SoRP has not changed significantly since 2015 LSBU should review the SoRP 2019 to ensure they are aware of any changes.</p> <p>LSBU should consider whether it will adopt the SoRP 2019 early, for their 2018/19 accounts.</p> <p>Institutions should begin assessing the impacting of future changes regarding leases and government grants and consider amending their processes to ensure future compliance.</p>

Prevent Framework	KPMG Insight
<p>This framework was issued in September 2018 and sets out how the Office for Students (OfS) will monitor the implementation of the statutory Prevent duty, which stating that higher education bodies must have due regard to prevent people from being drawn to terrorism.</p> <p>The Prevent statutory guidance has not changed and therefore the previous expectations under HEFCE for providers to demonstrate due regard to the duty will be the same.</p> <p>However, the monitoring framework established by HEFCE has moved to a strengthened, more evidenced based and risk based approach. As a result providers assessed to be high risk of not demonstrating due regard will be subject to increased engagement from the OfS and only those assessed as high risk will be assigned a named contact in the OfS Prevent team.</p> <p>On an annual basis providers will be required to submit a signed declaration from the governing body along with a data return which covers the core areas of the Prevent duty such as, staff training, external speakers and events, welfare of students and staff and IT policies.</p> <p>For more detailed guidance on the monitoring framework, please see the supplementary information note at:</p> <p>https://www.officeforstudents.org.uk/publications/prevent-duty-framework-for-monitoring-in-higher-education-in-england-2018-19-onwards/</p>	<p>Institutions should ensure that they have taken all necessary action detailed in the framework so that they are compliant with the Prevent duty.</p> <p>Governing Body members should familiarise themselves with the new framework to allow them to sign the annual required declaration.</p>
Regulation of access and participation in England	
<p>In December 2018 the OfS published the outcomes from the consultation of the regulatory framework published in February 2018 which set out seven proposals in relation to the priority areas.</p> <p>As a result of the consultation the OfS has set targets against four of the key performance measures which relate to fair access and participation. These are;</p> <ol style="list-style-type: none"> 1. To eliminate the gap in entry rates between the most and least represented groups 2. To eliminate the unexplained gap in non-continuation between the most and least represented groups 3. To eliminate the unexplained gap in degree outcomes between white and black students 4. To eliminate the gap in degree outcomes between disabled and non-disabled students <p>The consultation found that there was broad support for all of the proposals put forward and as such are being implemented. These proposals include; an access and participation plan cycle, annual monitoring and planning, access and participation plan targets, investment in access and participation plans, expectations on level of spending, principles of funding and investments, National Collaborative Outreach Programme (NCOP), an evaluation self-assessment tool, research on the use of tracking services, transparency information condition and the access and participation dataset</p> <p>For access to the full consultation report and further details of the proposals being implemented, please see:</p> <p>https://www.officeforstudents.org.uk/publications/a-new-approach-to-regulating-access-and-participation-in-english-higher-education-consultation-outcomes/</p>	<p>Audit Committees should be aware of the timeline of events as set out by the new regulations.</p> <p>January 2019 - Approved providers to begin planning and writing their 2020-21 to 2024-25 access and participation plans and set targets, taking into account our ambitions.</p> <p>February 2019 - OfS will publish;</p> <ul style="list-style-type: none"> - A new regulatory notice covering access and participation plans from 2020-21. - A new evaluation self-assessment tool, and make the access and participation dataset available to providers. <p>Spring 2019 - Access and participation plan events will be held for providers.</p> <p>LSBU has already developed an Access and Participation as part of the registration with the OfS that can be used as a starting point.</p>

Recruitment of Board vacancies	
<p>In November 2018 Advance HE published two new frameworks, the Diversity Principles Framework and the Board Recruitment Framework, to support Higher Education providers during the recruitment of board vacancies.</p> <p>The frameworks provide practical advice to providers on developing the guidance for working with executive search organisations. They are tools designed to address equality within recruitment and achieve greater diversity on University boards.</p> <ul style="list-style-type: none"> • The Board Recruitment Framework – this is comprised of guidelines for preparing not only job descriptions but also person specifications and adverts for board roles which are inclusive, encouraging a diverse range of applicants, and well defined. The framework also provides advice for mitigating bias in the selection process. • The Diversity Principles Framework – this offers guidance for both higher education providers and executive search firms to further diversity by increasing the representation of candidates from diverse backgrounds in individual searches through the identification of key areas in which diversity must be duly considered. <p>Access to the Board Recruitment Framework and Diversity Principles Framework are available at:</p> <p>https://www.lfhe.ac.uk/en/research-resources/publications-hub/index.cfm</p>	<p>If there are currently any Board vacancies which are being filled institutions should ensure that these frameworks are being utilised to achieve diversity within their Boards.</p>



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	CONFIDENTIAL
Paper title:	Audit Committee Risk Report
Board/Committee	Audit Committee
Date of meeting:	5 February 2019
Author(s):	Richard Duke – Director of Strategy & Planning
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the report

Executive Summary

The corporate risk register currently has:

- Two critical risks;
- Five high risks;
- Eleven medium risks;
- Three low risks

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

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

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LSBU Corporate Risk: Board Summary Report – Feb 2019

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

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

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

Risk Type 1: Financial		
<i>Summary of current risks & drivers</i>	<i>Notes on controls & mitigation strategies</i>	<i>Notes on progress made and actions completed</i>
<p>2: Home UG Recruitment: (NL) Increased competition & narrowing candidate pool put pressure on applicant numbers. Brand positioning doesn't articulate LSBU offer effectively & impacts on conversion rate, leading to shortfall in anticipated income, or < tariff score</p>	<ul style="list-style-type: none"> • Weekly review of numbers in DARR report by MAC leadership team & Leadership group • LEAP programme workstreams • Annual MAT & Lambeth liaison plan • Course development lifecycle project will ensure organisation insight informs validation cycle 	<ul style="list-style-type: none"> • Response protocols completed for full 19/20 application cycle • Phase 1 School website content updated • Research project underway to assess impact of current 'value add' applicant offer.
<p>3: Pensions scheme sustainability: (RF) Increasing life expectancy & poor performance of funds post 2008 leads to greater deficit</p>	<ul style="list-style-type: none"> • Annual FRS 102 valuation • Strict control on early access to scheme 	<ul style="list-style-type: none"> • Mercers costed scenarios considered autumn, with HR representation.
<p>157: International Income: (PI) Government policy & UKVI process creates additional burdens to recruitment, and TNE partner models still in development</p>	<ul style="list-style-type: none"> • Annual cycle of training events with staff on UKVI • Recruitment reports to Executive by exception • Overseas offices support in-country recruitment • Partnership model established for new activity 	<ul style="list-style-type: none"> • School Roadshows on developing & managing partnerships delivered • UKVI Consultant report received & actioned • Egyptian Joint Venture in development
<p>625: Impact of Government HE Review: (RF) If a reduction in the funded unit of resource for HE students is recommended, and approved by parliament, it would undermine current operating model & contribution rates.</p>	<ul style="list-style-type: none"> • Annual Board approval of 5 year forecasts • CFO access to sector & professional expertise • Scenario planning for reduced resource levels 	
<p>14: NHS Contract Income: (WT) Changes to NHS management structures, and move from bursaries to loans for pre-Reg courses impacts on levels of income</p>	<ul style="list-style-type: none"> • QCPM & NMC course review processes demonstrate quality of provision to funders • Literacy & Numeracy no longer tested 	<ul style="list-style-type: none"> • New programmes in development • Havering lease now extended • Applicant process re-engineered

<p>402: Research & Enterprise contracting: (PI) Forward financial plans anticipate increases in income which will need to be supported through reaching into new markets and areas of activity</p>	<ul style="list-style-type: none"> • Bid writing workshops for academic staff delivered • Sharepoint & FEC Research & Enterprise Approval Process for authorisation of new opportunities • R&E activity Pipeline Reports (Financial & Narrative) provided to Business Planning Group 	<ul style="list-style-type: none"> • Health Innovation Lab director appointed, and premises options under review • ACEEU accreditation application underway • Heads of Terms agreed for Cambridge research partnership
<p>624: LSBU Family integrated service: (IM) Obstacles may hinder planned synchronisation</p>	<ul style="list-style-type: none"> • Interim appointments at Lambeth College 	<ul style="list-style-type: none"> • Plans underway for transfer at year end

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

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

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

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

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

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

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

Date: 21st January 2019 **Author:** Richard Duke – Director of Strategy & Planning **Executive Lead:** Richard Flatman – Chief Financial Officer

Impact	4 Critical <i>Corporate plan failure / removal of funding, degree award status, penalty / closure</i>		2: Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL)	3. Sustainability of current pension schemes (RF)
	3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>	6: Management Information (RF) 37: Affordability of Capital Expenditure investment plans (RF) 305: Data not used / maintained / processed securely (SW) 362: Low staff engagement (PB) 495: Higher Apprenticeships (PB) 519: Negative Curriculum Assessment (SW)	457: Anticipated international & EU student revenue unrealised (PI) 467: Progression rates don't rise (SW)	
	2 Medium <i>failure to meet operational objectives of the University</i>	1: Capability to respond to change in policy or competitive landscape (DP) 517: Impact of EU Referendum result on regulation & market trends (DP) 494: Inconsistent delivery of Placement activity across the institution (SW)	14: Loss of NHS contract income (WT) 398: Academic programmes not engaged with technological and pedagogic developments (SW) 402: Unrealised research & enterprise £ growth (PI) 584: External incident compromises campus operations or access (PB) 518: Core student system inflexibility / failure (SW)	
	1 Low <i>little effect on operational objectives</i>			
		1 - Low	2 - Medium	3 - High
		<i>This risk is only likely in the long term</i>	<i>This risk may occur in the medium term.</i>	<i>The risk is likely to occur short term</i>
			Residual Likelihood	
	Executive Risk Spread: VC – 2, DVC – 3, CFO – 3, PVC-S&E – 5, PVC-R&EE – 2, COO – 1, CMO -1, Dean Health – 1, US - 0			

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	CONFIDENTIAL
Paper title:	Brexit Risk Register
Board/Committee	Audit Committee
Date of meeting:	05 February 2019
Author(s):	Richard Duke – Director of Strategy & Planning
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information; to provide Committee with an update on Brexit risks
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the report

Executive Summary

The attached report details the risks associated with Brexit from an LSBU perspective. Actions will be tracked to ensure all required mitigation activity is undertaken.

It should be noted that as part of a survey submitted to Universities UK on 17th January on the impact of Brexit on LSBU, with the exception of the area of outward student mobility, the impact was considered as amber or green in all areas. The survey covered the following areas:

- Research and innovation;
- Staff;
- Student recruitment;
- Outward student mobility.

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LSBU Brexit No Deal Risk Summary Table – December 2018 Potential risk factors & mitigation approaches:

Owner & Name	Cause	Effect	Actions taken / planned	Owner	Date
A: Supply Chain instability Penny Green (RF)	The eventual terms of the UKs departure from the EU, either during transition, or withdrawal, lead to trade issues that result in current procurement partners being unable to fulfill their obligations to contracts of supply	The inability to deliver to staff or students in line with planned timescales	Oversee audit of existing contracts to identify high risk items & write to companies to gain assurance around their mitigation plans & existing Brexit strategies.	Penny Green	March
B: Loss of access to European Research Funding Sarah Plant (PI)	The terms of the withdrawal result in reduced access to funding from European grant makers or funding streams, stigmatise UK bids or consortia invites. Specifically Horizon 2020, and EU funding programmes.	The ability to fund and support research activity across academic areas is challenged, with negative impact on academic credibility and REF assessment and funding mechanisms. A no deal could also cause a decline in availability of commercial research income sources.	Presentation to Research Committee to update on Brexit in relation to funding of research grants. Details of all active projects submitted to UKRI via the H2020 Registration Portal. Preparing update to circulate to DOREs; research centre heads, and academic leads on H2020 research projects to update re Brexit and research funding. Focus on new streams of UKRI funding & development of international collaborative research activities. Gain understanding of process to follow to access underwrite payments for Horizon 2020 & structural fund allocations.	Sarah Plant Sarah Plant Sarah Plant Sarah Plant	Sept 18 Oct 18 January Ongoing Depends on outcomes
C1: Impact on UK economy limits	The impact of the exit settlement on the UK economy causes a	As companies work to address the economic impacts internally, they	Alumni – Work at their pace to avoid disengagement	Olivia Rainford	March 2019 onwards

<p>corporate engagement in 'Value Add' activity</p> <p>Mike Simmons (JS)</p>	<p>downturn in economic performance and crisis of corporate confidence</p>	<p>have less opportunity to engage with LSBU in various ways: Alumni engagement & philanthropy Workforce development through Apprenticeships & part time learning Industrial Liaison panels & Curriculum engagement including 'case work' activities.</p>	<p>Sponsored education – Highlight the importance of investing given likely future skills challenges</p> <p>Curriculum engagement - Highlight the importance of investing given likely future skills challenges</p>	<p>Alison May</p> <p>Deans</p>	
<p>C2: Impact on UK economy limits investment income or access to borrowing</p> <p>Natalie Ferer (RF)</p>	<p>The impact of the exit settlement on the UK economy causes a downturn in economic performance of investments, or availability of access to lending at anticipated rates</p>	<p>Cashflow pressures, short term income reductions, greater borrowing costs, Knock on impacts of capital funding plans for the Academic Environment. Erosion of reserves.</p>	<p>Considerable work on modelling future cashflows and loan funding requirements</p> <p>Renegotiation of loans (including LC) at fixed rates</p>	<p>Ralph Sanders</p>	<p>Ongoing</p>
<p>C3: Impact on UK economy affects commercial income rates</p> <p>Adrian Tindall / Carol Rose (PI)</p>	<p>The impact of the exit settlement on the UK economy causes a downturn in market rates achieved for non HE activity, without corresponding reduction in cost base.</p>	<p>This manifests itself as an effect in London, affecting commercial income generation through lettings and catering, and creates short term subsidy issue / vacancy factor.</p>	<p>Propose programme of investment works to improve property standards to enable rates to be maintained.</p> <p>Work with Elior to consider a different offer to keep the prices down or change what we provide to utilise food that is more competitively priced.</p> <p>A programme of tenant estate development with a move to increase income to balance investment.</p> <p>Consider alternative occupant sources such as entering in to nomination agreements with youth hostel providers.</p>	<p>Adrian Tindall</p> <p>Carol Rose</p> <p>Carol Rose</p>	<p>February</p> <p>In the event of price rises</p>
<p>C4: Impact of withdrawal on UK Economy raises inflation & presents cost base challenge</p>	<p>Following withdrawal the impact on the UK Economy raises inflation & presents cost base challenge, as suppliers raise prices.</p>	<p>Budgets are squeezed, and without commensurate increases in income, decisions may have to be made which could impact negatively on</p>	<p>A renewed focus on the costs of delivery, and Course & Module profitability including standard Academic Workload Planning model, to drive Portfolio Review</p>	<p>Ralph Sanders</p>	<p>March 2019</p>

Ralph Sanders (RF)		student satisfaction and staff engagement.	Expand Augur scenario planning to include Brexit scenarios.		
C5: Impact of withdrawal on UK Economy devalues sterling Stuart Bannerman (PI)	The impact of the exit settlement on the UK economy causes a downturn in market valuations in sterling.	There could be some upside from this in the UK becoming more attractive to overseas students as a more affordable place to study. However it could also raise costs of international activity, and impact on the performance of any contracts which attract non-sterling payments.	Develop a costing model for EU student fees post SLC access in 20/21, and market test to ensure continued appeal	Stuart Bannerman / Nicole Louis	tbc
C6: Impact of withdrawal on UK Economy impacts construction costs & estates plans Carol Rose (PI)	The impact of the exit settlement on the UK economy raises inflation & presents cost base challenge, increasing costs for labour and materials.	This could increase the anticipated costs of the capital development projects, and impact other investment activity within the LSBU group.	Address issues through value engineering the project elements. Working with Procurement to secure the best contracts, and obtain guaranteed prices as much as possible.	Carol Rose Carol Rose	As required During the procurement stages.
D1: International travel restrictions impact on partnership activity and student recruitment Stuart Bannerman (PI)	The impact of the exit settlement creates new restrictions on the freedom of travel in and out of the UK.	This impairs the ability of the International Office to conduct planned activity overseas. A change to the attractiveness of the UK as a destination could have a negative impact on market demand.	Conduct partner reviews to assess any concerns from a European perspective Development of the LSBU presence in a EU country, recruitment of LSBU staff on European contracts and facility to contract to EU agencies	Stuart Bannerman	tbc
D2: International mobility restrictions impact on recruitment of staff Markos Koumaditis (SW)	The impact of the exit settlement creates new restrictions on the freedom of movement in and out of the UK.	This impairs the ability of LSBU to recruit international talent. A change to the attractiveness of the UK as a destination could have a negative impact on external applications.	Current staffing analysed by numbers of EU workers. HRBPs to work with the 'high risk' areas to identify future possible talent gaps Ensure guidance on visa process available on external website once available from government	HRBPs HRBPs / Recruitment partners	February Once visa rules for new appointments known

<p>D3: International mobility restrictions impact on staff pool utilised by key contractors</p> <p>Carol Rose (PI)</p>	<p>The impact of the exit settlement creates new restrictions on the freedom of movement in and out of the UK.</p>	<p>This impairs the ability of key LSBU contract holders to retain sufficient staff, and impacts on service levels.</p>	<p>Liaison with the contractors who are the main employers of non UK staff has taken place (catering, cleaning, reception & security).</p> <p>Business as usual is being assumed from a staffing point of view.</p>	<p>Carol Rose</p>	<p>September 2018</p>
<p>D4: International mobility restrictions impact on Campus tenants & enterprise partners</p> <p>Adrian Tindall (PI)</p>	<p>The impact of the exit settlement creates new restrictions on the freedom of movement in and out of the UK.</p>	<p>Loss of access to the European talent pool could cause considerable disruption to the tenant community and lead to skill shortages after the transition period.</p> <p>This could also impact companies on our ERDF projects, other REI income generating opportunities and wider outreach opportunities.</p>	<p>Explore overseas opportunities with 'field trips' for our tenant community businesses to New York and Canada to introduce new markets and opportunities.</p> <p>This could be expanded upon and promoted for student & graduate/alumni businesses.</p>	<p>Adrian Tindall</p>	<p>July 2019</p>
<p>D5: Loss of European staff due to perceived hostility or uncertain rights</p> <p>Markos Koumaditis (SW)</p>	<p>The terms of the withdrawal may not honour previous commitments around the residency and work rights of EU nationals, or the changing nature of expressed public opinion may encourage staff to seek opportunities outside of the UK.</p>	<p>Increased turnover and associated operational implications for services with high dependency on EU Workers.</p>	<p>HRBPs to work with the 'high risk' areas to identify any turnover risks</p> <p>Communications campaign regarding the EU settlement scheme and confirmation that the University will fund this cost as a one off.</p> <p>Bespoke Webpage with guidance for staff, FAQs etc. utilising government resources.</p> <p>HR Business Partners to work with their areas, especially areas with a high number of EU workers to support and engage them through the process.</p>	<p>Head of HR Business Partnering / Recruitment Partner</p>	<p>January 2019</p>

			Workshop or drop in session facilitated by HR / OD for staff advice on resources and how to apply.		
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	CONFIDENTIAL
Paper title:	Data Assurance Report
Board/Committee	Audit Committee
Date of meeting:	05 February 2019
Author(s):	Richard Duke – Director of Strategy & Planning
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information; to provide the Audit Committee with a report on data assurance processes for external returns
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the report

Executive Summary

There are two elements of data assurance processes at LSBU that inform assurance relating to the accuracy of external returns:

1. External Return Assurance Processes
2. Data Quality Governance

Approaches to these elements will be detailed in the report, and are undertaken at institutional level.

In summary however:

1. The External return Assurance Process is well defined and successfully been in operation for a number of years
2. Data Quality Governance processes through a committee structure identified a number of core data quality weaknesses, largely relating to the documentation of data held and data flows.

The Committee is asked to note the contents of this report.

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THE PLANNING, PERFORMANCE AND ASSURANCE (PPA) EXTERNAL RETURNS REVIEW PROCESS

The text details the assurance approach relating to external returns.

Introduction

A central role of PPA is the assurance for the University Executive of all data returns for the University. This role is underpinned by the Data Quality Project Policy and Framework, agreed by the University Executive on 14th April 2015. This policy details how each external return requires assurance sign off from PPA.

PPA has undertaken an audit of all external returns, and sought to understand the external impact of each return and ranked its impact from 1 (low impact) to 3 (high impact). The higher a return's impact the more scrutiny is required from PPA. The systems used for each return has also been derived, to feed into the overall Data Quality process.

Sign Off Process

All external returns subject to the PPA assurance sign off process will be listed in the PPA External Return Assurance Register; this will detail the external return deadline date. Data Stewards for each return are responsible for insuring that the timescales and authorisation requirements set out in this process are followed.

All returns in the PPA External Return Assurance Register, regardless of impact rating, require the sign off form to be completed before executive sign will be granted. This form requires the Data Steward(s) for the system(s) used to derive the data to sign. Once this has occurred, the Head PPA will sign the External Return Authorisation Form prior to Executive sign off. Depending upon the impact rating of the external return the PPA's authorisation process will vary. This process is detailed below.

Impact 1 Returns (no funding and no external reputation impact)

The author of the return and data steward would be expected to arrange a meeting with the Head of the PPA at least one week before the submission deadline to discuss the output. In this meeting, a report summarising the return, compared to the previous submission or other useful comparator should be produced. Subject to the Head of the PPA being satisfied that the data contained in the return is accurate and compliant with relevant requirements the External Return Authorisation Form can be signed during the meeting. If further work is required to gain PPA's authorisation, a further meeting shall be arranged to discuss how requested changes have been implemented.

Impact 2 Returns (moderate funding impact, but external reputation impact)

As per the process for Impact 1 returns, with the exception that the summary of the return against relevant comparator returns shall be submitted to the Head of PPA one week prior to the scheduled meeting (two weeks before the return date).

Impact 3 Returns (significant funding streams and/or external reputation impact)

The process will vary depending upon the return, as detailed below.

For all returns not listed below, but categorised as Impact 3, the process will follow the above process, except draft data should be submitted one month before the submission deadline, with weekly meetings (if required) to discuss remedial actions.

Student/FSR & HEBCI/Staff HESA Returns

These returns contribute to a number of external outputs that significantly influence LSBU's external reputational, such as league tables, HESA KPIs and UniStats. As such, they require a higher level of scrutiny.

It is envisaged that School KPIs will be calculated using external return definitions to enable goal congruence with external measures. This has the consequence that some key HESA return outputs will be required throughout the year. This will enhance levels of PPA assurance as key HESA outputs will be monitored by stakeholders across the University throughout the year. HEAS returns follow a separate process with defined timetable.

Conclusion

This approach to assurance should ensure that all data submitted externally has been reviewed with an appropriate level of scrutiny. This allows the University Executive to have confidence that externally submitted data is accurate, consistent and portrays the institution as positively as possible.

DATA QUALITY GOVERNANCE

Data quality audits are undertaken to improve accountability and accuracy of the base data held in LSBU core systems. As identified in the executive summary the data quality governance process that was undertaken between 2014 and 2018, the greatest area of concern relating to data quality in LSBU's core systems related to insufficient documentation detailing data held and data flows between systems. It was considered pragmatic that, rather than continuing system data quality audits, institutional approaches would be in the best position to address this concern. The two key tools to address the issue of insufficient information regarding data held and data flows are:

- General Data Protection Regulation (GDPR) Compliance Project
- Programme LEAP

The GDPR compliance project is complete, and successfully provided a record of personal data held in LSBU systems as well as data flows.

The LEAP programme as part of work package 1.5 (January – May 2019), will also provide a more detailed documentation of all student related data and data flows.

Therefore as of the completion of LEAP work package 1.5, in the spring/summer of 2019, it is envisaged that system data quality audits will be resumed to assess the data quality risk of core LSBU systems.

As part of the last system data quality audits (conducted in 2017) the data quality risk was assessed high or very high for the following core systems:

- Registry QL system
- SALTO card exchange (attendance recording)
- Raiser's Edge (CRM)
- Finance – Agresso
- OSHENS (health and safety)
- CMIS (timetabling)

PPA – January 2019

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	CONFIDENTIAL
Paper title:	Financial Regulations
Board/Committee	Audit Committee
Date of meeting:	05 February 2019
Author:	Natalie Ferer, Group Financial Controller
Executive/Operations sponsor:	Richard Flatman, Group CFO
Purpose:	The Financial regulations are updated periodically to ensure they remain relevant and reflect the structure and organisation of the University.
Recommendation:	That the Committee considers and approves these amendments to the Financial Regulations.

Executive Summary

The University's Financial Regulations are updated at least annually. This is to ensure that the Financial Regulations remain relevant and reflect the structure and organisation of the University.

These are not group financial regulations and these are being worked on and will be presented for consideration in due course.

The changes in this version are:

Paragraph	Update
Throughout	Replace HEFCE with OFS
9.1	Brings the process for the approval and management of research projects into line with those for Enterprise activity.
10.	Update the terminology used in the list of activities covered by Research and Enterprise income generating activity.
	Sets out the process for approval of Enterprise Activity using the HAPLO system
	Amends the scheme of delegation for Enterprise Activity, replacing the titles 'Director of Enterprise' with Chief Executive Officer for SBUEL

	activity and 'Director of Research, Enterprise and Innovation' for LSBU activity.
11.2	Addition of sentence requiring that guidelines published by the Finance department must be followed when engaging consultants or self-employed individuals.
11.4	Removal of reference to previously arrangements to use a payroll bureau, removal of reference to HR and Payroll using different systems and addition of the requirement to reconcile control accounts at least monthly
12.4	Update sections describing when Procurement should be involved in purchasing decisions, including specific reference to contracts that involve personal data
12.7	Addition of section setting out where a single quotation can be used
	Update guidance external funding with specific insurance requirements (also section 16.3)
12.9	Addition of signpost to contract management guidance on staff intranet
17.4	Addition of ability of Deans to sign contracts for student placement contracts
	Addition of requirement to notify procurement of contract changes
Appendix D	Addition of a specific debtors policy for SBUEL
Appendix	Update sample letter of delegation as an appendix

Recommendation

That the Committee considers and approves these amendments to the Financial Regulations.

FINANCIAL REGULATIONS

Originating Department:	Finance and Management Information
Enquiries to:	Natalie Ferer – Financial Controller
Version Date:	July 2018 <u>January 2019</u>
Target Audience:	All staff of the University and its subsidiary companies , especially those with financial responsibilities
Brief Summary of Purpose:	<p>This document sets out the University's financial regulations. It translates into practical guidance the University's broad policies relating to financial control. It applies to the University and any subsidiary companies, including South Bank University Enterprises Limited.</p> <p>The purpose of the financial regulations is to provide control over the University's resources and provide management with assurances that the resources are being properly applied to ensure delivery of the University's corporate plan and its financial objectives including:</p> <ul style="list-style-type: none"> • financial viability • value for money • The provision of effective financial control over the use of public funds • Compliance with all relevant legislation • Safeguarding the assets of the institution.

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1. Terminology

The following will apply in the Financial Regulations:

The University shall mean 'London South Bank University' and its subsidiary companies including South Bank University Enterprises Ltd.

Budget holder shall mean an individual who has been given delegated authority and responsibility for managing a budget within a department.

Department shall mean one of the several Departments in the University and will include, for example, any Unit, school or Professional Service Group which has Departmental status for financial management purposes

Finance shall mean the Finance and Management Information

PSG shall mean Professional Services Groups

2. Introduction

2.1 Purpose and Scope of the Regulations

This document sets out the University's financial regulations. It translates into practical guidance the University's broad policies relating to financial control. It applies to the University and any subsidiary companies, including South Bank University Enterprises Limited.

The purpose of the financial regulations is to provide control over the University's resources and provide management with assurances that the resources are being properly applied to ensure delivery of the University's corporate plan and its financial objectives including:

- financial viability
- value for money
- The provision of effective financial control over the use of public funds
- Compliance with all relevant legislation
- Safeguarding the assets of the institution.

2.2 Compliance with the financial regulations

Compliance with the financial regulations is compulsory for all staff, including those employed by University subsidiary companies. Specific regulations relating to South Bank University Enterprises Limited that override University regulations are detailed in Appendix C.

Staff are individually responsible for ensuring that they understand the University's Financial Regulations and how they apply to the conduct of their role and all other staff in their departments. Staff are expected to observe the LSBU values of Excellence, Professionalism and Integrity when undertaking their financial responsibilities.

A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the University's disciplinary policy.

2.3 Approval and amendment of the financial regulations

Proposals to amend the regulations shall be considered by the Finance, Planning and Resources Committee. The Vice Chancellor shall have the authority to make minor changes to the regulations following guidance from the Chief Financial Officer

The Finance Department is responsible for continuous review of the Financial Regulations and will advise the Executive of any changes that are necessary.

This version of the regulations was approved by The Finance, Planning and Resources Committee on 1st March 2016.

3. Corporate Governance

3.1 Board of Governors

The Board as a whole is collectively responsible for promoting the success of the University by leading and supervising its affairs. The Board has adopted a Statement of Primary Responsibilities and these include being 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.

3.2 The Vice Chancellor

The Vice Chancellor is responsible for the executive management of the University and for implementing the decisions of the Board of Governors. The Vice Chancellor is the Accountable Officer as identified by [HEFCE-OFS](#) and documented within the Financial Memorandum.

3.3 Committee Structure

The Board of Governors delegates specific powers and processes to the various committees detailed below.

Finance, Planning and Resources Committee

The Finance, Planning and Resources Committee advises the Board of Governors on the solvency and the use and safeguarding of its resources and assets. It reviews LSBU's in-year financial performance, performance against the corporate strategy, the proposed annual budget, the implications of the strategy for human and physical resources, treasury management, and compliance with the University Gift Acceptance policy.

Audit Committee The Audit Committee oversees LSBU's audit activities including auditing the financial statements, appointing the internal and external auditors and advising the Board of Governors on the effectiveness of the internal control system..

Major Projects and Investment Committee

The Major Projects and Investment Committee is authorised by the Board to approve investment decisions within authorisation levels as set out in the Financial Regulations. The committee reviews investment decisions above its level of authority and recommends approval to the Board.

Remuneration Committee

The Remuneration Committee determines the annual remuneration of senior post holders.

3.4 Code of conduct

The University is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the principles established by the Committee on Standards in Public Life (formerly known as the Nolan Committee), which members of staff at all levels are expected to observe. These principles are set out at Appendix B.

All members of staff who have a beneficial financial or other interest in any contract between the University and a third party must disclose that interest to their Dean or Head of Professional Services area, the Chief Financial Officer and the Executive Director of Organisational Development and HR.

As a result of the Bribery Act 2010, it is illegal for any employee to accept or offer a personal inducement or bribe. It is also a corporate offence to fail to prevent bribery.

Members of staff should not accept any gifts, rewards or hospitality from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the University would be likely to provide in return.

The University itself must not provide levels of hospitality or entertainment for students, external visitors, alumni, external stakeholders or actual/potential business partners that could be deemed to be an attempt to influence decision making.

When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined or advice should be sought from the relevant Dean or Head of Professional Service area or the Chief Financial Officer.

3.5 Whistleblowing arrangements

The University has a separate Speak Up Policy under the Public Interest Disclosure Act 1998.

4. Risk Management

4.1 At a corporate level, the principal risks are identified and managed through the University's risk management processes. The Corporate Risk Register is the subject of careful and frequent review, and is aligned to the Corporate Strategy.

4.2 The Statement of Internal Control sets out the responsibilities of the governing body 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 public and other funds .

5. Financial Management and Control

5.1 Financial Planning

The Finance Department is responsible for preparing annually an income and expenditure budget, a capital budget and a five-year financial forecast for approval by the Board of Governors on the recommendation of the Finance, Planning and Resources Committee.

5.2 Budget preparation

LSBU's annual budget preparation is led by the Chief Financial Officer.

The completed budget is presented to the Executive for approval before being submitted to the Finance, Planning and Resources Committee for recommendation to the Board of Governors, who confer final approval.

5.3 Budgetary control

The Finance Department will prepare monthly management accounts for discussion at Operations Board and hold monthly meetings with Schools and Professional Service Groups to discuss performance against the agreed budget.

The control of income and expenditure within the agreed budget is the responsibility of the designated budget holder. This responsibility is formalised in the letter of delegated authority issued by the Vice Chancellor to budget holders at the start of the academic year. Budget holders will be given access to and training in the use of the University's web-based finance system to enable them to monitor income and expenditure on a daily basis. The Finance

Department will also provide monthly management information to budget holders in the form of budget monitoring reports.

The budget holder must report significant departures from agreed budgetary targets immediately to the Chief Financial Officer

In cases of emergency, The Finance Member of the Emergency Management Team (EMT) can authorize emergency expenditure. In these circumstances the Finance Member will be responsible for ensuring records of expenditure are kept to report during and after the incident takes place.

5.4 Forecasting

Budget holders, in collaboration with their Finance Business Support Managers, will be responsible for in year budget re-forecast. The output of this process will be the latest expected position on income, expenditure and surplus compared to original budget. Budget holders are expected to incorporate all relevant information they have into these forecasts. Ownership of the forecast will remain the responsibility of the local budget holder.

5.5 Year end balances

Budget holders will not be permitted to carry forward any unspent amounts at year end.

5.6 Financial year

The University's financial year runs from 1 August until 31 July.

5.7 Basis of accounting

The consolidated financial statements are prepared on a historical cost basis and in accordance with the Companies Act, the Higher Education SORP (Statement of Recommended Practice) and other applicable accounting standards.

5.8 Capitalisation and depreciation

New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated in equal installments over their estimated remaining useful life. Land will not be depreciated.

Expenditure incurred on repair, refurbishment or extension of existing buildings will not be capitalised unless it can be demonstrated that the resultant value of the building, on the basis of depreciated replacement value, is greater than the current book value.

Expenditure on equipment, software and motor vehicles will be recorded in the balance sheet where the acquisition cost per item or group of items making up one asset is £10,000 or more. Depreciation will be charged on a straight line basis commencing in the month of acquisition at rates of:

Equipment, fixtures and fittings and motor vehicles – 5 years
Computer hardware and software – 4 years
Refurbishment expenditure – 15 years
Freehold buildings – 50 years
Leasehold buildings – lower of 50 years and life of the lease.

Assets funded by project grants are depreciated over the lifetime of the project.

5.9 Accounting records

In accordance with the Companies Act 2006, the Chief Financial Officer is responsible for the completeness and accuracy of accounting records.

5.10 Document Retention

The Finance Department is responsible for the retention of financial documents. These should be kept in a form that is acceptable to the relevant authorities.

The University is required by law to retain prime documents for 6 years. These include:

- Official purchase orders
- Paid invoices
- Accounts raised
- Bank statements
- Copies of receipts
- Paid cheques
- Payroll records, including part-time lecturers' contracts.

Members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations such as regional development agencies and the EU and with the University's record retentions schedule.

6 Taxation

The Chief Financial Officer is responsible for advising Deans and Heads of Professional Service Groups on taxation matters, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies to the University. The Chief Financial Officer is responsible for maintaining the University's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date.

The University is an exempt charity and as such is exempt from corporation tax in respect of income or capital gains to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of VAT, except in the case of medical equipment and advertising.

To preserve corporation tax exemption, all commercial activities must be channeled through the University's trading subsidiary South Bank University Enterprises Limited (SBUEL). SBUEL is subject to corporation tax and VAT in the same way as any commercial organisation.

The Financial Controller should be notified of any activities that are thought to be commercial in nature before they are undertaken.

7 Audit requirements

7.1 The university shall appoint both external and internal auditors. In accordance with the HEFCE Audit Code of Practice the same firm shall not under any circumstances be appointed as both external and internal auditors.

Both the external and internal auditors shall have authority to:

Access University premises at reasonable times

Access all records, documents and correspondence relating to any financial and other transactions of the institution

Require and receive from any member of staff such explanations as are necessary concerning any matter under examination promptly.

7.2 External audit

The appointment of external auditors will take place at least every seven years following a competitive tendering process. Appointment of the external auditors is the responsibility of the Board of Governors following recommendation of the Audit Committee.

During their period of office, the external auditors will be re-appointed annually by the Board on the recommendation of the Audit Committee.

The primary role of external audit is to report on the University's consolidated financial statements. This will involve carrying out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the consolidated financial statements.

The Financial Controller is responsible for drawing up a timetable for year-end accounts purposes and will advise staff and the external auditors accordingly.

Separate auditors may, at the discretion of the Audit Committee, be appointed to carry out audits of grant claims as and when required by the relevant funding bodies.

7.3 Internal audit

The appointment of internal auditors will take place every seven years following a competitive tendering process. Appointment of the internal auditors is the responsibility of the Board of Governors following recommendation by the Audit Committee.

The primary role of internal audit is to deliver a risk based internal audit service which provides the Board of Governors with assurances on:

- The adequacy and effectiveness of the system of internal control and governance
- Risk management
- Data quality, and
- Value for money

The University's financial memorandum with [HEFCE the OFS](#) requires that it has an effective internal audit function and their duties and responsibilities must be in accordance with advice set out in Accountability and Audit: [HEFCE OFS](#) Code of Practice.

7.4 Fraud and corruption

The Anti-Fraud Policy outlines the University's position on fraud and sets out responsibilities for its prevention and detection. The policy is intended to ensure that all cases of suspected fraud are promptly reported, investigated and dealt with as necessary, thereby safeguarding the finances and resources of the University and its subsidiaries. This policy applies to all staff and students.

When an incident of fraud is identified, appropriate action should be taken in accordance with the fraud response plan (Appendix A).

7.5 Financial statements approval

The consolidated financial statements and those of SBUEL are prepared by the finance department in line with the agreed external audit timetable.

The financial statements must be reviewed and approved by both the Finance, Planning and Resources Committee and the Audit Committee.

8 Income

8.1 General

The Chief Financial Officer is responsible for ensuring that appropriate procedures are in place to enable the University to receive all income to which it is entitled.

The Finance Department is responsible for:

- the prompt collection, security and banking of all income received.
- invoices being raised for customers where credit facilities are offered
- the online payments system being maintained.

- Checking grants notified by ~~HEFCE~~ the OFS and other funding bodies are received and recorded appropriately in the University's accounts.
- claims for funds, including research grants and contracts being made by the due date.
- Maintaining a fees matrix within the Student Records System (SRS) which accurately calculates the tuition fee for each student.

8.2 Tuition Fee Income

Setting of fees

The University Executive, within the overall strategy, budget and five year plan, is responsible for the setting of tuition fees within the overall framework of the University budget and five year plan.

8.3 ~~HEFCE~~ OFS Recurrent Grant funding

An agreement between ~~HEFCE~~ OFS and the University sets out the minimum number of funded places which the University will provide in each academic program and mode, and the funding per student place.

8.4 Specific Grant funding

The Chief Financial Officer shall ensure that all specific or capital grants are applied in accordance with their terms, and that income from such grants is only recognised to the extent that it has been spent. The Finance Department will provide a unique source of funds code to ensure that expenditure can be accurately monitored.

The Chief Financial Officer shall:

- ensure that expenditure is within the terms of the grant
- monitor allocations to avoid overspending; ensure that funds are claimed from ~~HEFCE~~ OFS on a timely basis.

8.5 ~~HEFCE~~ Inherited liabilities reimbursement

~~HEFCE~~ OFS reimburses in full expenditure on capital and staff-related liabilities inherited by the University from the former ILEA where these liabilities were previously met from the former Advanced Further Education pool for capital-related payments. The liabilities eligible for reimbursement are:

- Debt charges on land and buildings;
- Pension increase payments in respect of pre 1989 retirements
- The Finance Department must ensure that:
 - claims for reimbursement are submitted promptly at the end of each financial year;
 - a record is kept, updated annually, with details of the amount and date when claimed, and the amount and date when paid.

8.6 Receipt of cash, cheques, card, or electronic transfer payments

The Finance Department deals with all monies received in payment of tuition fees and schools or any other department must not collect payment for fees directly from students or their sponsors.

Any other department collecting monies from students or any other customer must follow procedures authorized by the Financial Controller or Chief Financial Officer

The current single cash transaction limit for the University is the sterling equivalent of €15,000, translated at the most recent rate published by the Financial Times. This is to comply with the Money Laundering Regulations 2003. The cash office must not accept cash over this limit. Further details of the university's Money Laundering Plan are contained in appendix B.

The University's contractor must carry out all banking and the amount banked reconciled to the accounting system.

All cash awaiting banking should be stored in a locked safe, and staff should ensure that insurance limits for the level of cash holding are not breached.

Receipts must be recorded and posted to the student record, accommodation and finance system on the day, or closest working day, to receipt.

8.7 Collection of tuition fee debt

Any student who has not paid an account for tuition fees or any other item owing to the University shall not receive their certificate for any degree, diploma or other qualification until all outstanding debts have been cleared. The name of such students shall not be included on pass lists. In addition such students shall be prevented from re-enrolling at the University and from using any of the facilities.

8.8 Collection of other debt

The Finance Department should ensure that:

Debtor invoices are raised promptly on official invoices;
Invoices are prepared accurately and are credited to the appropriate income account;
Any credits granted are valid and properly authorised;
VAT is charged at the correct rate where appropriate and accounted for;
Outstanding debts are monitored and chased in a systematic manner.

Debts over 6 years old will be written off on an annual basis unless there is a reasonable expectation that the money can still be recovered. If the total value of the annual write off is less than £50k it can be approved by the Chief Financial Officer. Audit Committee approval is required where the total value of the annual write off exceeds £50k.

In exceptional circumstances debts may be required to be written off during the year (e.g. in the event of company liquidation). This will require the approval of only the Chief Financial Officer. The maximum limit for write off on any individual debt is £10k. Above this limit, approval of Audit Committee is required.

8.9 Halls of residence income

The Executive shall determine the level of term time fees for student halls of residence, taking account of the implications for Student welfare and The financial position of the University and the surplus or deficit on halls of residence operations.

The Executive will determine the level of fees for vacation lettings at halls of residence. In doing so they must take account of the need to maximise the income to the University from these activities.

Finance shall be responsible for invoicing students and other users and ensuring payment. Every effort shall be made to recover amounts owed, including the use of debt collection agencies and the withholding of academic qualifications.

All students in halls of residence shall be required to sign a formal accommodation agreement.

8.10 Catering income

The parts of the University authorised to provide food and drink for sale to staff students and visitors are:

- The Department of Estates or it's contracted catering provider;
- The National Bakery School.

No other school, Professional Service Group or individual member of staff shall provide food and beverages for sale on the University's premises.

The Heads of Estates and of The National Bakery School shall determine the prices charged in the refectories and other catering outlets, taking account of:

- the welfare of students and staff;
- the financial position of the University and the surplus or deficit on catering operations.

9. Research grants

9.1 General

Research can be defined as original investigation, undertaken to gain new knowledge and understanding, which may be directed towards a specific aim or objective. It can use existing knowledge in experimental development to produce new or substantially improved materials, devices, products and processes including design and construction. It excludes routine testing and analysis of materials, components and processes.

The term 'Research Grant' is restricted to research projects funded by the UK and EU Research Councils, Charities and ~~HEFCE/QFS~~. All other externally funded research projects are classified as 'Contract Research'. These are managed by University Enterprise and dealt with in the section of these regulations covering other income generating activities.

Where approaches are to be made to outside bodies for support for research projects or where contracts are to be undertaken, it is the responsibility of the Dean to ensure that the financial implications have been appraised by the Central Research Support Office. This will include obtaining a set of grant terms and conditions from each organisation providing funding to enable appropriate monitoring of compliance, [and to ensure that appropriate insurance cover has been costed and is in place for any contract start](#).

~~The Central Research Support Office is responsible for examining every application for research funding. The Central Research Support Office should ensure that the full cost of research contracts is established. The approval and managing research projects follows the process for Enterprise activities.~~

The Finance Department shall maintain all financial records relating to research grants and contracts and shall initiate all claims for reimbursement from sponsoring bodies by the due date.

[All aspects of any research grants must comply with these Financial Regulations.](#) Where services or supplies need to be bought as part of a research agreement or grant, they must be procured in line with these regulations and procurement support must be requested if this is required in the research grant terms and conditions.

Each grant or contract will have a named supervisor and will be assigned to a specific school.

9.2 Full Economic Costs

All UK universities are now obliged to identify the Full Economic Cost (FEC) of research activities and recover the best price possible for the work taking into account the funder's own regulations.

Where possible, full economic costs should be recovered from the funder.

Authorisation of Research Grant applications

The table below sets out the delegation of authority with respect to authorisation of Research Grants. Contracts for Research Grants should normally be signed by the PVC (Research and External Engagement) and always in line with these Financial Regulations.

Total contract value (including VAT)	LSBU
Over £2m	VC and CFO
Over £1m and up to £2m	PVC (Research and External Engagement)
below £1m	Director of Enterprise

10 Research and Enterprise ~~Other~~ income-generating activity

10.1 Types of activity

Income generating activities, including those that are coordinated via University Enterprise, include:

Research grants
Research collaborations
Studentships
Regeneration programmes

Research grants
Research collaborations
Studentships
Regeneration Programmes
Knowledge Exchange
Letting of Facilities (when requiring technical support)
Student Enterprise
Events & Conferences (when bespoke)
Short Courses
University Accredited Courses
Consultancy
Contract Research
Intellectual Property
Other Income Generating Activities
~~Collaborative research~~
~~Contract research~~
~~Consultancy~~
~~Facilities and equipment related services~~
~~CPD & Continuing Education~~
~~Regeneration and development programmes~~
~~Intellectual Property~~

10.2 ~~Responsibilities~~

~~Role and responsibilities are detailed in the Enterprise Approval Process.~~

10.3 — Approval of activities

Approval shall be sought for all Commercial Sales in line with the published Enterprise approval process.

10.4 — Scheme of Delegation for Commercial Sales

The table below sets out the delegation of authority with respect to authorisation of Commercial Sales.

Approval to submit and contractual authorisation for all research and income generating activities must be obtained using the HAPLO system, following published guidelines.

Approval is required before submission of a proposal to a Funder or Client, in addition to final authorisation for contract signature. The Dean or Director of PSG is responsible for ensuring timely compliance of all their staff.

The proposal cost and claim/price is developed by REI staff, Finance BSMs and academics working together as appropriate. All costs relating to the proposed project must be identified, regardless of whether or not it is anticipated they are recoverable from the Funder or client. Formal approval of the cost is the responsibility of the Finance department.

When considering whether to approve a proposal, the return to the University versus both Full Economic Cost and the direct cost of undertaking the project should be considered alongside other non-financial value for the University.

The Finance Department shall maintain all financial records relating to research grants and contracts and shall initiate all claims for reimbursement from sponsoring bodies by the due date.

Where services or supplies need to be bought as part of a research agreement or grant, they must be procured in line with these regulations and procurement support must be requested if this is required in the research grant terms and conditions. Insurance must also be fully costed from the outset of any research project bid or contractual commitment. Procurement and internal legal advice must be sought to ensure that obligations are clear between all parties.

The table below sets out the delegation of authority for final contractual authorisation

Total contract value (including VAT)	SBUEL	LSBU
Over £2m	SBUEL Board	VC and CFO
Over £1m and up to £2m	PVC Research and External Engagement	PVC (Research and External Engagement)
below £1m	Director of Enterprise Chief Executive Officer	Director of Research, Enterprise and Innovation

Contracts for Commercial sales should normally be signed by either the PVC (Research and External Engagement) or University Secretary and always in line with section 14 of these Financial Regulations.

10.5 South Bank University Enterprises Ltd

All activities commercial in nature and carried out with the intention of making a profit should be handled through the University's trading company SBUEL. VAT must be charged on all standard rated activities carried out by SBUEL.

11. Staff expenditure

11.1 Staffing budget

The Board of Governors approves the annual staffing budget which forms part of the overall budget.

Staffing shall be at a level that ensures that staff expenditure remains within budget for the financial year.

No permanent or temporary appointments in excess of the annual staffing budget shall be made without approval of the Chief Financial Officer.

The Executive Director of Organisational Development and HR must maintain staffing statistics and report to the University at regular intervals staff in post and vacancies.

11.2 Appointments to posts

The Vice Chancellor is responsible for the appointment of staff. The Board of Governors is responsible for the appointment of senior post holders.

Permanent and Temporary appointments should be made within the University's recruitment and selection procedures or through the University's approved supplier of agency staff. The Human Resources Department shall seek confirmation from the hiring department that sufficient funds are available within the departmental budget in the current financial year to pay for the post before beginning the recruitment process. Holders of letters of delegated authority are responsible for ensuring that staffing levels remain within budget.

Staff wishing to engage consultants or other self-employed individuals must first, in consultation with their HR Business Partner, establish if the person is to be treated as a worker or a contractor using guidelines published by the Finance Department and then either HR or Procurement processes must be followed.

The Executive Director of Organisational Development and HR must notify promptly the Payroll Department of all appointments and terminations of employment, and any changes during employment, in sufficient time to enable the appropriate changes to be made to the payroll department.

The permanent promotion of staff shall operate through normal recruitment procedure for vacant posts

11.3 Conditions of employment

The Board is responsible for setting the framework for the employment of university staff (which it may delegate to the Finance Planning and Resources Committee or the Executive).

11.4 Payroll

The Chief Financial Officer shall ensure that appropriate arrangements are in place to:

transcribe HR information into the form required to process accurate payments.

(b) the Financial Controller shall make validation checks of the proposed payment schedule before authority is given for payment ~~to either the payments bureau or for manual payments.~~

(c) payslips shall be released to staff;

(d) ~~a check shall be made of the payroll transactions which shall be copied to the Human Resources Department to be checked against personnel records reconciliation of payroll control accounts .are undertaken and reviewed at least monthly.~~

11.5 Deductions

The Chief Financial Officer shall arrange for deductions of income tax, national insurance, pension contributions and other deductions, and ensure that proper records are kept.

11.6 Sickness, Maternity and Other Benefits

The Executive Director of Organisational Development and HR shall verify the entitlements and notify the Financial Controller of payments to be made.

11.7 Pay Awards

The Board of Governors shall determine the annual pay level of senior post holders.

The Board of Governors shall decide annually whether the University should opt in or out of national pay negotiations. The Executive shall then make a recommendation to the Board based on budgetary consideration from year to year.

The Vice Chancellor shall after consultation with the Finance Planning and Resources Committee approve the offer made to the trades unions. When agreement on the size of the pay award and the date of implementation has been reached, the Vice Chancellor shall approve the pay award having regard to the financial implications for the University.

The Executive Director of Organisational Development and HR shall notify the Chief Financial Officer of:

- the nature of the pay award and the groups of staff to whom it applies,
- any other arrangements for other groups of staff,
- Increases in pay due as a result of pay awards.

11.8 Bonus payments

The Vice Chancellor shall determine:

the principles each year underlying the performance bonus payments to eligible staff and the amount of the annual performance bonus to be paid to each of these staff.

12 Expenditure

12.1 Scope

These regulations apply to all expenditure, including spending of grant monies and leasing arrangements, but exclude expenditure processed through the payroll which is covered in the section on pay expenditure

12.2 Purpose

The purpose of these regulations is to:

- Ensure that the University's expenditure represents Value For Money Comply with European and UK legislation and statutory requirements;
- Manage and minimise risks, including commercial protection in all contractual arrangements and mitigation against fraud and corruption.

12.3 Order of Events

When reviewing and committing expenditure, the following order of events must be followed:

- Procurement engagement
- Review the need and value for money
- Advance authorisations and budget control
- Supplier selection
- Contract award
- Contract management and Procure to Pay

12.4 Procurement engagement

Procurement Services are to be contacted from the outset to agree the level of professional Procurement input required and the procurement sourcing strategy. Professional Procurement input will be determined following consideration of the potential impact on strategic objectives, value for money opportunities, and legislative risk.

Discrete requirements with a total contract value over the contract term of less than £50,000 may be able to follow Procurement guidance, rather than require direct engagement with Procurement Services. Refer to the Supplier Selection section for further details.

Any potential conflict of interest which a member of staff making or influencing a procurement may have with a supplier, must be notified to Procurement as soon as the conflict is known. All staff involved in a Procurement process are required to complete a Declaration of Interest form, at the start of their involvement. [Procurement must be involved from the outset on any procurements involving personal data, irrespective of value. Procurement will work with LSBU's Data Protection and Information Compliance Officer to ensure LSBU's GDPR obligations are met. LSBU has obligations to consider data protection by design wherever personal data is processed, which may include mandatory data protection impact assessments. Procurement or the Data Protection and Information Compliance Officer will advise.](#)

[Procurement will advise on how to engage the market on contracts over £50,000 during the tender planning phase, to ensure that there is no inadvertent market distortion or legislative risk created. A challenge on a high value contract, could result in a significant financial impact to the University. Procurement advice must be sought before any contact with suppliers is made.](#)

12.5 Review the need and value for money

Value for money is not about cuts. It is about making sure that the University's resources are used in the right way to generate outcomes that align with the University's corporate objectives, and that any expenditure or time spent on an activity is appropriate to the outcome.

Value for money is defined by [HEFCE-OFS](#) as effectiveness, economy, and efficiency. LSBU's working definition is:

- Effectiveness – Doing the right thing (the extent to which corporate objectives are met)
- Economy – At the right price (appropriately minimising the cost of an activity)
- Efficiency – The right way (performing tasks well)

Value for money is the combination of all three aspects. Disproportionate emphasis on one of the three aspects, could impact on overall value for money.

The University requires all budget holders to ensure that all commitments to supplies, services and works represent value for money. Budget holders must assess the need, and review how value for money can be optimised by working with Procurement and other relevant stakeholders across the University from the outset.

Value for money is the over-riding principle on procurement, ordering and tendering. The University requires all budget holders to obtain supplies, services and works at the most economically advantageous cost, consistent with quality, delivery requirements, whole life cost and always in accordance with sound business practice.

It is in contravention of the Financial Regulations to procure from suppliers for reasons other than value for money, as defined above. Procurement decisions need to be justified and 'audit trail' records must therefore be completed.

12.6 Advance authorisations and budget control

Investment Appraisal Process and Business Cases

Budget holders must ensure that planned expenditure is within their allocated budget referred to in the Financial Management and Control sections of these regulations. In certain circumstances, authorisations must be obtained before engaging with the supply market.

The University's Investment Appraisal Process must be followed, and a business case needs to be submitted for approval if:

- the requirement relates to a new change initiative
- the requirement incorporates aspects of capital expenditure
- the expenditure will exceed the existing allocated department or school budget
- the contract relates to revenue expenditure that is in budget and exceeds £2million over the contract term

The Investment Appraisal process also applies to all activities with a significant impact on current business activities or activities with significant resource requirements.

Where the value of the bid is no more than £250k, a short business case can be submitted. The Finance department will maintain guidance on the investment approval process. Authorisation for all expenditure must be sought in accordance with approval limits set out in the Authorised Expenditure Limits section below. Procurement Services must be consulted to support the completion of Procurement [and Insurance](#) related content of any proposed Business Case involving expenditure [or potential insurance liability](#).

Total Contract Value / Expenditure

The total contract value will determine the authorization routes and levels of competition to follow.

The total contract value refers to the value of the contract over its full contract term, including any potential extensions. It does not refer to the annual contract value. If items are bought on a rolling contract basis, the estimated per annum value should be multiplied by 4 to determine the estimated total contract value.

Where the total expenditure or contract value cannot be determined, usage and values should be estimated to determine the total value. Where more than one area of the University is likely to use the contract, University-wide demand should be used to calculate the total contract value.

Where there is a need for a single requirement that can be divided into a number of stages, or a number of similar or identical requirements, the total value must be used when assessing the application of these regulations. Contracts must not be disaggregated and split into separate contracts with smaller values to avoid having to comply with the authorization and competition routes detailed in these regulations.

Where a Purchase Order constitutes the formal contract, in place of a formally signed contract, then the requirements within these regulations for contracts apply to the Purchase Order value.

Authorised Expenditure Levels

Authorisation for all expenditure must be sought in accordance with the value threshold requirements below. Thresholds relate to the value over the total contract term including any potential extensions – not to per annum values.

Total Contract Value (Including VAT)	Capital		Revenue	
	Planned	Unplanned	Within Budget	Outside Budget
Over £5 million	Board of Governors			
Over £2m and up to £5m	Major projects and Investment Committee	Board of Governors	Major Project and Investment Committee	Board of Governors
Over £1 million and up to £2 million	Executive	Board of Governors	Delegated Levels of Authority	Board of Governors
Over £500,000 and up to £1 million	Executive	Major Projects and Investment Committee	Delegated Levels of Authority	Major Projects and Investment Committee
up to £500,000	VC and CFO	VC and CFO	Delegated Levels of Authority	VC and CFO

Unplanned capital projects should be very rare. The Major Projects and Investment Committee will review masterplans and the majority of capital expenditure will be planned. Expenditure proposals should be submitted to the lowest level of authorisation first, being escalated up through the approval hierarchy on the table above following each approval stage.

** Requirement still remains to deliver against agreed budget*

Capital and Revenue budgets are as defined in the department and school budgeting process.

Approval Documents and Delegation

Board of Governor, Major Projects and Investment Committee or Executive approval is to be sought through submission of a Strategic Outline Business Case at initial project stages prior to tendering.

When approving, the Board of Governors, Major Projects and Investments Committee, and Executive shall specify any future delegations that may apply during the remaining stages of the competitive procurement process, to enable timely contract awards within the approved Business Case parameters.-

Delegated Budget Authority

Holders of letters of delegated authority are responsible for the approval of expenditure within the budget set out in their letter of delegated authority subject to the limits stated in table 2. Holders of letters of delegated authority are responsible for agreeing with the Financial Controller a scheme of delegation within their departments. Where authority has been formally delegated to Heads of Department (HoD'S) and other staff, these staff will be responsible for the approval of expenditure within their departmental budget up to the limit set out in the appendix to their letter of delegated authority. Changes to agreed authorization levels must be recorded on the Authorised Signatory list, maintained by the Financial Controller.

These arrangements are also to be applied to employees of subsidiary companies who are given delegated authority in respect of budgets.

12.7 Supplier selection

Use of existing and Mandatory Contract Arrangements

The University has a number of contracts that must be used for specified services, supplies or works. A list of mandatory contracts can be found on the Procurement intranet.

Where approved contracts are available, these must be used for all purchases. These contracts cover a wide range of goods and services and have been selected through a competitive process. These contracts should be used by either directly calling off from the existing contract, or where a framework agreement is in place with multiple suppliers, through requesting quotes from the specified list of suppliers in that category. Call-off methods are detailed for each mandatory contract and are listed on the Procurement web pages.

The University has a number of expenditure categories where specific Professional Service Groups lead and manage any orders that need to be made. The relevant Professional Service Group must be used to advise and process expenditure in these areas. Mandatory usage of departments by category is listed on the Procurement web pages, together with any related policies that apply to that area of spend.

Competition and Audit Trail Requirements:

Total Contract Value (Including VAT)	Level of Competition Required	Supporting 'Audit Trail' Documents Required
Over £50,000	Competitive Tender *	Business Case Approval Form (where Board/Exec approval required) + Full Evaluation Matrix Or Single Quotation/Tender Form** + Authority to Award Report
Over £10,000 and up to £50,000	3 Competitive Proposals	Competitive Quotes Form Or Single Quotation/Tender Form**
Up to and including £10,000	Department's Discretion ***	None

**Procurements exceeding £50,000 over the total contract term must be discussed with Procurement Services at the beginning of the planning stage, to agree the procurement strategy and route and professional Procurement input required. Procurement will instruct on minimum tenderer numbers, EU compliance requirements and use of e-tendering.*

*** ~~Where there are no sources of competition, quotations must still be obtained and a Single Quotation/Tender Form completed~~*

1. Where there is extreme urgency (which has occurred for reasons which were unforeseeable and are beyond the control of LSBU)
2. Where there is only one supplier capable of providing the relevant goods, works or services due to technical, artistic or copyright reasons.
3. Where incompatibility or disproportionate technical difficulties apply
4. Where no tenders, no suitable tenders, no requests to participate or no suitable requests to participate have been submitted in response to an open procedure or a restricted procedure.

*** *Heads of Dept/school will have the discretion to decide whether or not to obtain quotations, however value for money must always be obtained. It is advised that at least one written quotation is obtained for items with a value of £10,000 or under.*

Threshold Application for Framework Agreements

For some categories, the University puts in place overarching framework agreements, which are 'umbrella agreements' with either one or several suppliers. Framework agreements set out the terms, mainly relating to scope of service/supply, price, quality and potential quantity, under which individual contracts (call-offs) can be made. The University becomes committed to expenditure when a call off is made, and a discreet contract is entered into.

Framework agreements are to be authorised according to the approval levels in Table 2, based on expenditure levels estimated over the term of the framework. Subsequent call offs are also subject to the approval requirements indicated in Table 2, with Executive approval replacing any Board of Governor approval requirement indicated.

External Funding with Specific Procurement Requirements

External Funding with Specific procurement or insurance requirements

Where the University is receiving external funding (for example from ~~HEFCE~~ ~~OFS~~) towards the purchase of goods or services there may be specific procurement or insurance requirements which must be followed (for example the limit for carrying out competitive tenders may be lower). These may differ from the procedures set out within the Financial Regulations. If these requirements are not adhered to the University may not receive the funding or ~~LSBU~~ may be exposed to risk. In order to ensure that these procurement and insurance requirements are fully understood and adhered to, Procurement Services must be consulted before purchasing any goods or services for which the University is receiving external funding with specific procurement requirements.

Capital grants allocated by external organizations, ~~such as HEFCE~~, must be spent solely for the purposes specified. The Finance Department shall maintain records of expenditure of ~~HEFCE~~ grants in the form required by the funding body.

Most Economically Advantageous Approach

The best value tender or quote shall be accepted (following appropriate evaluation of price and quality criteria). Approval by the Head of Procurement shall be required in all cases when award is not recommended to the most economically advantageous tender /quote.

E-Tendering

The University's e-tender system must be used to run competitive tenders, unless otherwise agreed with Procurement Services.

Terms and Conditions

Appropriate terms must be clearly established at the outset of all competitive procurements. Procurement Services must be consulted in all instances where the University's standard terms and conditions are not used, in advance of committing the University.

The Contracts (Rights of Third parties) Act 1999 came into force on 11 May 2000. It applies to all contracts made on or after this date in England, Wales and Northern Ireland. The Act gives third parties named in contracts, or expressed to benefit from them, the right to sue under those contracts. The majority of contracts entered into by the University will exclude this right as far as possible. This exclusion is incorporated into the University's standard contract documentation. Where, in a particular case, the parties to a contract are considering conferring a benefit on one or more third parties, advice must be sought from the University Secretary/Procurement Services as to the implications of any such arrangement, before entering into negotiations with any of the other parties that may be involved in the proposed contractual arrangements.

12.8 Contract Documentation and Award

Contract Documentation

Every contract issued by the University shall use the appropriate standard contract documentation. Copies of all standard contract documentation are available from Procurement Services. The advice of Procurement Services should be sought if any amendments are required to the standard documentation.

Contract Award Authorisation

Current legislation requires the University to be transparent and publish details of certain contract awards. Procurement Services will ensure that these legal requirements are met. Procurement Services must be notified of all contracts requiring formal signature (requiring signature either by hand or electronic). Procurement Services will coordinate the necessary contract authorisations in accordance with these regulations.

All contract documentation must be approved by the Head of Procurement Services prior to contract signature by the specified signatures in section 'Contracts' of these Regulations.

12.9 Contract Management and Procure to Pay

Contract Management

Holders of letters of delegated authority must ensure that all expenditure contracts within their budget area have a contract owner responsible for monitoring performance through regular meetings with the contractor. Reports of any discrepancy or failure must be completed. Procurement Services advice should be sought in order to assist in the management of poor contract performance and emerging risks. [Comprehensive contract management guidance is available on LSBU's staff web pages, including managing specific areas of high risk such as contracts involving personal data.](#)

Procurement Services must be notified of all contract, variation, extensions and terminations in advance of any commitments being made on behalf do the University. Procurement Services will then coordinate the necessary authorisations -and publications in line with these regulations, legislation and Procurement procedure.

University Procurement Cards

University Procurement Cards are to be used for low value, high volume transactions and separate guidelines applicable to these cards must be followed. Requirements detailed within these regulations to use approved contracts and to follow competition requirements apply to Procurement Card orders. Purchasing cards cannot be used;

- for personal purchases
- by anyone other than the person to whom the card was issued
- [to withdraw cash unless the cardholder is specifically authorized to do so.](#)
- [for purchases involving the processing of personal data](#)

The misuse or non-compliance of the Procurement Card procedures will result in the card being withdrawn and in certain cases may result in disciplinary action being taken. Detailed procedures for the use of purchasing card are contained in the Purchasing card guide.

New Suppliers

Where a supplier is new to the University, a New Supplier Form must be completed. Procurement Services and Finance may review the level of risk relating to suppliers at supplier set up stage and on an ongoing basis, and alternative procurement solutions may be required.

Purchase requisitions and Purchase Orders

Purchase requisitions, and subsequent official University orders must be placed to commit all expenditure, with the exception of supplies listed in appendix to this document. or when paid for via a University Procurement Card.

There must be adequate segregation of duties in place, as specified in the Procurement procedures and guidance, in particular requisitions must be raised and authorised by different individuals where staff make a commitment on behalf of the University. The University operates an electronic requisition system and the authorization hierarchy within the system must be maintained in such a way that requisitions have to be raised and authorized by different individuals. Authorization of requisitions must be within a budget holder's delegated budget authority

In addition to budget holder approval, each requisition may be subject to Procurement Services approval to ensure that requisitions, and related procurement exercises, comply with procurement and tendering policy. Procurement Services are to determine which Purchase Orders require their approval, following approval by budget holders and other supporting authorisations as required the 'Advance Authorisations and Budget' section..

Purchase Orders fulfil the role of acceptance of a supplier's offer and bind a contract on the University's terms and conditions. The University's standard terms and conditions are automatically applied to University orders. Where a contract already exists, contract terms must be specified by requisitioners on requisitions, to ensure that they take precedence.

In addition to the above regulations, there are specific requirements regarding expenditure on the University estate.

Estates Strategy

The Estates Department should only carry out work approved as part of the Estates Strategy, and that approved by Executive in order to maintain existing estate through planned and reactive maintenance and project works.

The Board of Governors shall approve an Estates Strategy and consider amendments to it where updating is required at regular intervals. The strategy shall take account of:

The quantity, quality, configuration and legal interests in the current estate;

(b) Planned student numbers and course provision and teaching methods;

(c) Consequential anticipated growth in staff numbers, both academic and non-academic;

The efficiency of management of existing accommodation and space utilisation;

The financial implications, with investment appraisals where appropriate, in consultation with the Chief Chief Financial Officer.

All recommendations to the Board of Governors for property acquisitions and disposals shall be supported by surveyor's report as laid down in the Charities Act 1993.

All proposed building projects shall be considered by the Executive and they should meet the overall objectives of the Estates strategy and approved financial limits.

EU Directives

Higher Education Institutions (HEI's) are required by law to comply with the EU Directives if they intend to let a contract (or series of contracts) above or equal to the thresholds for goods, services or works contracts prescribed by EU Directives.

Estates & Facilities is responsible for consulting with Procurement Services at the planning stage of any works or project to ensure that EU Directive and UK statutory procurement obligations will be met.

Progress and Completion Reports

The Director of Estates & Facilities shall make regular reports to the Vice Chancellor on the progress of building projects with an estimated cost of over £50,000, indicating:

- Expenditure to date against budget;
- Remaining expenditure;
- Emerging problems;
- Changes to risk profile

Reports shall be made to meetings of the Property Committee on the progress of all projects approved by the Board of Governors.

The Director of Estates shall conduct a formal post completion review after all major capital projects to identify strengths and weaknesses and to feed these into the procedure for managing future projects.

Procedures for disposals of Exchequer Funded Assets

Disposal of items purchased from specific external research grant or similar sponsored activity shall only be made within the rules and with the approval, if required, of the sponsoring body. Disposal of land and buildings must only take place with the authorisation of Council or Finance and Resources Committee, in accordance with the Financial Authority Limits. ~~HEFCE-OFS~~ consent may also be required if Exchequer funds were involved in the acquisition of the asset.

12.11 Supplier invoices

Receipt of invoices

All supplier invoices should be sent by the supplier to the Finance Department. On receipt, invoices should be registered on the finance system

Approval of invoices

Invoices that relate to goods or services for which a purchase requisition was raised are known as 'committed' invoices. Committed invoices will quote a purchase order number. Invoices that relate to goods and services for which no purchase requisition was raised are known as 'uncommitted' invoices. Uncommitted invoices will not contain a purchase order number.

Committed invoices should be receipted on the finance system by the person who raised the original requisition as evidence that the invoice has been checked, the goods or service has been received and the department wishes the supplier to be paid. Where an invoice exceeds the original purchase order, the invoice will be referred forward to the budget holder to approve payment of the invoice.

Uncommitted invoices should be approved only by the relevant budget holder in line with levels of delegated authority. If the invoice exceeds the budget holder's delegated authority. This is because the approval of an uncommitted invoice is giving authority for a budget to be spent. In the case of committed invoices, this authority has already been given by the raising and approval of a purchase requisition.

For both committed and uncommitted invoices, receipting or invoice approval confirms that:

Goods or services have been received or undertaken in accordance with specification and are satisfactory;

The prices or charges are in accordance with the contract or order;

The invoice is arithmetically accurate and VAT has been applied at the correct rate;

Payment of invoices

Once approved, Finance Staff should arrange payment within the University's Standard terms of business or any bespoke terms of business agreed with particular suppliers.

12.12 Authorised signatory list and authorisation hierarchy

The Authorised signatory list is kept and maintained by the Financial Controller. It is the responsibility of the School or Professional Service Group to ensure that an up to date set of authorised signatory sheets are given to the Financial Controller. The University's electronic Procurement to Pay system is set up with hierarchies for the raising and approval of requisition and approval of non-committed invoices and it is The Financial Controller who has responsibility for ensuing electronic authorisations are in line with the authorised signatory list.

12.13 Fixed Asset Register

The Chief Financial Officer shall:

- (a) Ensure there is a central register of all items of capital expenditure with a purchase value of £10,000 or over including VAT within the finance system Agresso

Deans and Heads of Professional Service Groups shall:

- a) Ensure the safekeeping of all equipment held in the school or Professional Service Group;
- b) Ensure that the equipment is marked as the property of London South Bank University.
- c) Report all losses of equipment through theft or damage on the prescribed forms to the Director of Estates & Facilities with copies to the Vice Chancellor and Chief Financial Officer

12.14 Equipment Removal

Land and Buildings may only be disposed of with the authorization of the Board of Governors on the recommendation of the Finance, Planning and Resources Committee.

Equipment, vehicles, fixtures and fittings shall not be removed from the University without the written approval of the Dean or Head of Professional Service Group. In all such cases, the Chief Financial Officer shall be informed at least two working days in advance so that, appropriate insurance arrangements can be made.

Schools and Professional Service Groups shall notify the appropriate Professional Service Group of any item of standard equipment or other goods which are no longer required, who shall advise if the item can be redeployed elsewhere in the University. .

Where an item cannot be redeployed, Deans or Heads of Professional Service Groups shall make arrangements to dispose of obsolete items. The Dean or Head of Professional Service Group is responsible for disposing of the item in a way that maximizes the proceeds and value for money to the University. This includes obtaining valuations where appropriate and quotes for costs of disposal. In exceptional circumstances, the Chief Financial Officer may authorize the item to be donated or offered at reduced cost to students, other educational establishments, charities or local community groups.

The school or Professional Service Group shall advise the Chief Financial Officer of any proposed disposal of equipment or other goods so that, if appropriate, she or he may arrange for an invoice to be raised for payment to be obtained by the University and for accounting entries to be made in the University Accounts.

13 Cash management

13.1 Bank accounts

The Board of Governors shall approve:

- (a) the appointment and terms of engagement of the University's bankers;
- (b) the bank mandate which determines the terms on which cheques may be drawn on the University's bankers;
- (c) the bank account signatories and levels of authority;
- (d) overdraft and loan facilities.

All bank accounts for the University's transactions shall be held in the name of the University, and may be opened only on the authority of the Board of Governors. No bank account other than one authorised by the Board of Governors shall be operated for University's purposes. No member of staff shall open an account bearing the name of the University, or any abbreviation of it.

13.2 Signatories

The University's bank accounts shall be operated in accordance with the mandates given to the bankers under the authority of the Board of Governors. The Board of Governors has determined that the holders of the following posts shall be signatories to the University's bank accounts;

Vice Chancellor
Deputy Vice Chancellor
Chief Financial Officer
Pro Vice Chancellors
University Secretary and Clerk to the Board of Governors
Chief Operating Officer
Executive Director of Organisational Development and HR
Financial Controller
Financial Planning Manager

13.3 Signatory limits

Signatory limits apply for both cheque limits and electronic payments such as Bacs

- For Payments of less than £10,000 - one signature and may be signed in holograph by cheque writing machine;
- For payments of £10,000 and above - but less than £20,000 - one signature but may not be signed in holograph by cheque writing machine;
- For payments of £20,000 and over- two signatures only one of which can be a member of the Finance Department.

13.4 Cheque Payments

Cheque payment controls shall be maintained by the Payments Manager. The cheque stationery shall be kept in a secure place at all times, and proper controls maintained on the use of cheque stationery.

13.5 Records and reconciliation

The Chief Financial Officer shall

- maintain a record of all bank accounts, signatories and levels of authority;
- ensure adequate procedures are in place to control the issue and use of cheque stationery and for the control of electronic payment authorization
- (maintain proper records of all bank payments;
- ensure that all bank accounts are reconciled at monthly or more frequent intervals, independently of the staff involved in making payments and banking cash.
- The following accounting controls shall apply:
- there shall be a monthly bank reconciliation for each bank account;
- The reconciliation shall be verified by the Financial Accountant;
- Unresolved discrepancies shall be reported to the Financial Controller and if still unresolved to the Chief Financial Officer
- Cashbook records shall be maintained as part of the integrated accounting system.

13.6 Borrowing

All raising of capital finance, including finance lease arrangements, must be approved, in advance, by the Finance, Planning and Resources Committee and the Board of Governors. The Board of Governors may, at its discretion, authorise an ad-hoc committee of its members to agree final documentation and execute documents within certain parameters set by the Board of Governors.

All borrowing raised on the security of any of the University's assets must be approved, in advance, by the Finance, Planning and Resources Committee and the Board of Governors. The Board of Governors may, at its discretion, authorise an ad-hoc committee of its members to agree final documentation and execute documents within certain parameters set by the Board of Governors.

Unsecured, overdraft borrowing must be within limits set by the Chief Financial Officer. Authorisation by the Chief Financial Officer must be given for unsecured, overdraft borrowings within such limits.

The University has no pre-determined restrictions on sources of funding with any consideration of suitability of potential lenders being carried out at the time of approval.

The University has no pre-determined requirements on the mix between fixed and variable rates of interest. The suitability of the mix will be reviewed at the time of approval and should bear in mind market expectations and future cash requirements; the costs of doing so should be related to the need to spread the risk through a balanced portfolio.

13.7 HEFCE-OFS borrowing limits

The University must get written permission from HEFCE-OFS to increase EBITDA (Earnings before interest, taxes, depreciation and amortisation) -based threshold, before it agrees to any new financial commitments that would increase the measure to above five times its average EBITDA. Details of how the EBITDA based financial commitment threshold is calculated is contained in the Memorandum of Assurance and Accountability with HEFCEOFS.

13.8 Cash and cheque and electronic receipts

The current single cash transaction limit for the University is the sterling equivalent of €15,000, translated at the most recent rate published by the Financial Times. This is to comply with the Money Laundering Regulations 2003.

All cheques or cash received shall be paid to the cashier with the minimum of delay.

- The Chief Financial Officer shall agree with a Dean or Head of Professional Service Group the arrangements under which the School or Professional Service Group may receive cash, cheques and other receipts. These arrangements shall ensure that:
- The cash and cheques shall be paid to the cashier at the earliest possible opportunity in their entirety.
- They shall not be used to cash any cheques or pay any item of expenditure:
- no monies other than petty cash floats shall be held in Schools/Professional Service Groups except as authorised by the Chief Financial Officer

Schools and Professional Service Groups which are authorised to receive cash and cheques shall keep proper records in the form specified by the Chief Financial Officer.

The Chief Financial Officer shall make arrangements for receiving cash and cheques. They shall ensure that every sum of cash received shall be immediately acknowledged by the issue of an official receipt with the exception of cheques, where receipts should only be issued for cheques from students;

The Chief Financial Officer shall determine the form and serial numbering of all official orders, receipts, books and tickets of value etc., and shall control their issue to Schools and Professional Service Groups and ensure that all receipts and issues are properly recorded.

13.9 Cash Collection procedures

The Chief Financial Officer shall arrange for independent checks to be carried out at annual intervals of the cash collection procedures at each of the catering sites where these are managed by the University. The arrangements shall ensure that:

- the checks are carried out by a designated member of the Finance Department;
- a diary is kept with details of checks and the results;
- A senior member of staff of the Finance Department reviews the checks and discusses any action to be taken with the budget holder of the department receiving the receipts.

13.10 Non-University Monies

The Chief Financial Officer may make arrangements from time to time, with the agreement of the Vice Chancellor, to handle monies that do not belong to the University. Examples include prize or scholarship funds, hardship funds distributed on behalf of another organization or monies belonging to an associated company.

In such cases, the Chief Financial Officer is responsible for setting up appropriate accounting arrangements.

14. Petty cash

14.1 Cash Floats

The Finance Department shall make advances for defraying petty cash expenses to authorised person in a school/Professional Service Group.

They shall:

- sign a receipt for cash advance from the Finance Department;
- Be responsible for keeping the cash in a secure place;
- Keep an account of payments in the form required by the Chief Financial Officer;
- Be required to account for payments made and cash remaining at regular intervals.

Reimbursement of expenses by petty cash

are limited to occasional and minor items of expenditure up to a value of £50 per payee;

shall be supported by receipts
personal cheques shall not be cashed;

All vouchers shall be sent to the Finance Department with a claim for reimbursement at least monthly .

No cash received other than cash advances and cash reimbursements shall be paid into petty cash accounts.

14.2 Year end certification of petty cash

All petty cash holders are required to certify the balance on their respective floats at the financial year end of 31 July. The cash office of the finance department may carry out spot checks to ensure the amounts certified are correct.

15 Treasury Management

15.1 Policy

The Finance, Planning and Resources Committee shall be responsible for establishing a Treasury Management Policy for the University and the The Chief Financial Officer shall be responsible for Implementing the policy;

Detailed procedures covering the management and investment of University funds are contained in the Treasury Management Policy.

15.2 Charitable funds investment strategy

The charitable funds investment strategy shall be approved by the Finance, Planning and Resources Committee. The current strategy is that the target income should be expressed in monetary terms and should be set at £20,000. This target to be achieved to within a 10% margin.

The Fund Manager should be permitted to invest up to 7 – 8% of the portfolio in overseas equities. It is expected that this would be in multinational European or North American securities.

The capital growth target to exceed the Wood MacKenzie index by 1%.

16. Insurance

16.1 Cover

The University Secretary and Clerk to the Board of Governors and the Chief Financial Officer shall ensure that:

Appropriate insurance cover is provided for all aspects of the University's activities;

The University's insurance portfolio is reviewed annually in consultation with the University's brokers; after the Finance, Planning and Resources Committee have approved the proposed terms; and shall negotiate all claims with the University's brokers.

16.2 Tendering for insurance contracts

The contract for brokerage services (or for direct insurance services, if a broker is not used) shall be put out to open tender every five years.

16.3 Cover required

The insurance cover shall include:

Buildings (all risks)
Contents of buildings (all risks)
Public liability
Employer's liability
Fidelity guarantee
Professional indemnity
Cheque signing indemnity
Personal accident (assault)
Travel / personal accident (UK and overseas)
Engineering equipment
Computers
Deterioration of stock
Motor fleet
All risks of radioisotopes
Governors' liability
Directors and Officers Liability
And any other that, in the opinion of the Finance, Planning and Resources Committee, is appropriate.

Deans and Heads Professional Service Groups shall review the school's or Professional Service Group's activities and advise the Secretary ~~and~~ Chief Financial Officer ~~and~~ [Procurement](#) if in their opinion a material risk not covered by insurance is being incurred. [All new activity must be checked for insurance cover and risk prior to commitment being made.](#)

16.4 Claims and Incident Reports

Deans and heads of Professional Service Groups shall, as a matter of urgency, notify fires, accidents or other incidents which might give rise to an insurance claim to:

The Vice-Chancellor
The University Secretary
The Chief Financial Officer

The report should give as much information as possible to include in particular:

- a detailed description of the incident, its time and cause (if known);
- practical consequences - particularly details of any interim measures required to cope with affect of the incident;
- Financial consequences, if assessable in advance of insurance appraisal.

The University Secretary and Chief Financial Officer shall:

verify the insurance of any incidents which may give rise to a claim and submit a full claim where appropriate.

In instances where members of staff may incur loss of or damage to personal possessions and where the University has no insurance cover or responsibility, claims may be considered in very exceptional circumstances provided that full details, in writing, to the University Secretary and Chief Financial Officer and support is given by the member of staff's Senior Line Manager.

17. Contracts

17.1 Signature under Seal

The Common Seal shall only be used on the authority of the Board of Governors. Every instrument to which the seal shall be affixed shall be signed by a Governor and shall be countersigned by either the University Secretary & Clerk to the Board, a second governor or by some other person appointed by the Board of Governors for that purpose - see below. A register shall be maintained and the use of the Common Seal reported to the Board of Governors.

Other persons who have been authorised by the Board of Governors to sign contracts under Seal are:

Vice Chancellor, Deputy Vice Chancellor, Pro Vice Chancellor Students and Education, Pro Vice Chancellor Research and Engagement and Chief Financial Officer

17.2 Signature of Employment Contracts

The signatories authorised by the Board of Governors to sign contracts of employment are as in the section on contracts below plus the Executive Director of Organisational Development and HR Deputy Head of Human Resources.

17.3 Signature on Non-Disclosure Agreements (NDA) and Memorandum of Understandings (MoU)

Authority to only sign a standard NDA in addition to the University's standard contractual authorities to be delegated to:

- Director International
- Deans
- Director Research, Enterprise and Innovation

Any alterations to the standard NDA or a request for signature of a client's own NDA must be referred to the Legal team.

The standard signatory of MoUs remains PVC (Research and External Engagement).

17.4 Placement contracts

Deans are able to sign contracts for student placements.

17.54 Signature of Other Contracts

The following persons are authorised to sign other contracts on behalf of the University:

- Vice Chancellor
- Deputy Vice Chancellor
- Pro Vice Chancellor Students and Education and Pro Vice Chancellor Research and Engagement

- Chief Financial Officer
- University Secretary and Clerk to the Board of Governors
- Head of Procurement (£50,000 and under)

[Procurement Services must be notified of all contract transitions \(award, extensions, material variations, terminations\) in advance of any commitments being made on behalf of the University. Procurement Services will then coordinate the necessary authorisations and publications in line with regulations, legislation and Procurement procedure.](#)

[All contract documentation must be approved by the Head of Procurement Services prior to contract signature by the specified signatures within these Financial Regulations.](#)

17.65 Disclosure of Beneficial Interest

A member of staff who has a beneficial financial or any other interest, whether direct or indirect, in any contract between the University and a third party shall disclose that interest to the Head of School/Professional Service Group and to the Chief Financial Officer. A record of the interest will be entered in the Register of Interests held by the Secretary.

17.76 Content of Contracts

Every contract issued by the University shall use the appropriate standard contract documentation. Copies of all standard contract documentation are available from ~~the~~ Procurement Services ~~Manager~~. The advice of ~~the a~~ Procurement Services Manager should be sought if any amendments are required to the standard documentation.

The Contracts (Rights of Third parties) Act 1999 came into force on 11 May 2000. It applies to all contracts made on or after this date in England, Wales and Northern Ireland. The Act gives third parties named in contracts, or expressed to benefit from them, the right to sue under those contracts. The majority of contracts entered into by the University will exclude this right as far as possible. This exclusion is incorporated into the University's standard contract documentation. Where, in a particular case, the parties to a contract are considering conferring a benefit on one or more third parties, advice must be sought from the University Secretary/Procurement Services Manager as to the implications of any such arrangement,

before entering into negotiations with any of the other parties that may be involved in the proposed contractual arrangements.

All contract documentation [relating to external expenditure](#) must be approved by the Procurement Services Manager prior to signature [by any authorized signatory](#).

17.87 Copies of Contracts

The University Secretary shall hold:

- (a) Copies of all contracts with a value of over £50,000;
- (b) All titles, deeds and lease agreements.

17.98 Contract Performance

Holders of letters of delegated authority must ensure that all expenditure contracts within their budget area have a contract owner responsible for monitoring performance through regular meetings with the contractor. Reports of any discrepancy or failure must be completed. Procurement Services advice should be sought in order to assist in the management of poor contract performance and emerging risks. [Contracts involving processing of personal data must follow the required contract management processes detailed in Procurement guidance.](#)

Appendix A - Fraud Response plan

When an incidence of fraud is identified, there is an immediate need to safeguard assets, recover losses and secure evidence for legal and disciplinary processes. In order to meet these objectives, the University has a fraud response plan. Staff and students are required to act in accordance with the fraud response plan.

If a member of staff discovers or suspects a fraud, theft, corruption or other financial irregularity, they must immediately inform their Dean or Head of Professional Service Group and the Chief Financial Officer. Failure to do so will result in disciplinary action. The Chief Financial Officer will instigate the following responses:

- Take action to mitigate the potential loss to the University
- Immediately inform the Vice Chancellor, the University Secretary, the Head of Internal Audit and The University's Employee and Officers insurers.
- Initiate an investigation. The scope of this investigation should be agreed with the Vice Chancellor and the University Secretary.
- Decide whether or not to treat this incident as a criminal investigation and involve the police and/or accredited fraud investigators
- Take steps to prevent a recurrence of such an irregularity or breach of internal controls.

If it is suspected that a fraud may be significant:

- The chair of the Audit Committee, the Chair of the Board of Governors and the University's ~~HEFCE-OFS~~ accounting officer should also be informed (The Accountability and Audit: ~~HEFCE-OFS~~ Code of Practice, which flows from the ~~HEFCE OFS~~ Financial Memorandum, contains a mandatory requirement that any significant fraud must be reported to the ~~HEFCE-OFS~~ Accounting Officer)
- The Chair of Audit Committee will decide whether or not to convene an extraordinary meeting of Audit Committee to consider action already taken, or proposed to be taken.
- The CFO will liaise with the VC, Chair of Audit Committee and Head of Internal Auditors appropriate to determine the role of internal audit in the investigation.

A significant fraud is one where:

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

In the event of a suspected fraud involving the Finance and Management Information Department, the Vice Chancellor will initiate action. The Chief Financial Officer will not be involved in the subsequent investigations.

In the event of a suspected fraud involving the Vice Chancellor, the Chief Financial Officer will inform the Chair of the Board of Governors directly.

Investigation of a suspected fraud

The investigation must be conducted on a timely basis, observing the principles of natural justice and preserving confidentiality.

All staff must cooperate in an investigation or action to mitigate loss and must observe reasonable expectations of confidentiality.

The Vice Chancellor may take action during the investigation against any member of staff who is potentially implicated in the suspected fraud. This action may include:

- Temporary suspension from duty

- Denial of access to University buildings and computer networks

Result of investigation

In the event that an allegation is substantiated, the action taken by the Vice Chancellor as a consequence will be recorded in writing. Such action should be proportionate to the allegation but may include:

- Temporary suspension from duty
- Denial of access to University buildings and computer networks
- Summary dismissal or dismissal under notice
- Notification of the police
- Notification of other parties likely to be affected
- Restitution by the perpetrator
- Other disciplinary procedures

Money Laundering Plan

1. Background

The University is aware that there is a risk that it could be used as a target by those engaged in money laundering. Additionally, staff in any organisation may commit offences under the Proceeds of Crime Act 2002 and the Terrorism Act 2000 (with serious potential criminal penalties) and therefore the University is keen to ensure that its staff do not unwittingly commit such offences and provide guidance and training to staff where appropriate.

2. Potential Offences

There are two key offences under the Proceeds of Crime Act 2002 that University staff should bear in mind:-

(a) A person commits an offence if he or she enters into or becomes concerned in an arrangement which he or she knows (or suspects) facilitates (by whatever means) the acquisition, retention, use or control of "criminal property" by or on behalf of another person.

(b) A person commits an offence if he or she acquires, uses or has possession of criminal property. There is a specific defence to this offence that the person receives the criminal property as payment for goods or services, which would be the case in relation to tuition fees. However, this defence would not apply where money is received as a donation.

Property received by the University is "criminal property" if it constitutes a person's benefit from criminal conduct or it represents such a benefit (in whole or part and whether directly or indirectly); and a member of staff knows (or suspects) that it constitutes or represents such a benefit.

There is a similar money laundering offence under the Terrorism Act 2000, if a person enters into or becomes concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property. It is a defence to prove that the person did not know and had no reasonable cause to suspect that the arrangement related to terrorist property.

3. Measures the University has taken to prevent money laundering offences from being committed

- The University will provide training to all staff handling payments into or from the University's or its subsidiary's bank accounts or dealing with potential new relationships for the University on recognising potential money laundering.
- The University carries out enhanced identity checks and verification if particular risk factors are present, such as that the payment relates to a high risk jurisdiction, politically exposed persons or if there is any suggestion of secrecy in relation to any transaction.

4. Warning Signs in relation to Money Laundering

The following list is not exhaustive but gives some indication of particular warning signs which may give rise to a suspicion of money laundering or other financial crime:-

- Involvement of a high risk jurisdiction;
- Payment of substantial sums in cash;
- Doubts about the honesty, integrity, identity or location of the people involved;
- Involvement of a third party without logical reason or explanation;
- Overpayments and/or requests for refunds without a good reason;

- Significant changes in the nature of transactions with a student (or person paying fees on behalf of a student) or with a donor that is without reasonable explanation, for example if payment start to be made from a different jurisdiction; and
- Cancellation, reversal or requests for refunds of earlier transactions.

5. Reporting suspicious transactions

Any reports of suspicion of money laundering should be sent to the University's Financial Controller who will consider whether a report needs to be made to the National Crime Agency. Any reports should be made using the Money Laundering Reporting Form at the end of this procedure to report this concern, giving as much information as possible, in writing and without delay. The University's Financial Controller, in consultation with the University Solicitor if appropriate, will consider internal reports and make an external report as soon as practicable if he or she considers that there is knowledge, suspicion or reasonable grounds for knowledge or suspicion that another person is engaged in money laundering or that terrorist property exists. This applies even if no transaction is to take place.

It is a criminal offence for anyone, following disclosure to the Financial Controller or to the NCA, to do or say anything that might either "tip-off" another person that a disclosure has been made or prejudice an investigation.

A brief report in relation to money laundering suspicions will be presented to Audit Committee at each meeting as part of the University's Anti-Fraud reporting procedures and to ~~HEFCE~~ OFS as appropriate.

6. Record Keeping

The University will keep a record of suspicions in relation to money laundering or terrorist property reported to the Financial Controller for 6 years from the date of report. All enquiries that are made within the University in relation to the report will also be recorded for the same time.

7. Refunds

Refunds are considered to be a particular area of money laundering risk for Universities. Where refunds are requested (in relation to tuition fees or other payments), staff should be aware of the following particular risk areas:

- An unexplained overpayment is followed by a request for a return of funds;
- A third party requests the refund to be made to an account that is not the same one that was used to make the original payment to the University; and
- Fees have been paid in advance by or on behalf of an overseas student who is then refused a visa, particularly if the student is resident in a jurisdiction that is perceived to have a lower standard of anti-money laundering regulation or measures to prevent corruption. In these circumstances, it is prudent to require documentary evidence of the circumstances before agreeing to a refund.

Refunds should, wherever possible, be made to the account from which the original payment was made and this means that the University will need to keep adequate records of the source of funds it receives. It should never be assumed that the student themselves is entitled to a refund where the original payment came from a third party.

8. Cash payments

The University's Financial Regulations prohibit the acceptance of cash payments. The current single cash transaction limit for the University is the sterling equivalent of €15,000, translated at the most recent rate published by the Financial Times.

Appendix C -The seven principles of public life from the report of the committee for standards in public life (The Nolan report)

Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

|

Appendix D – Specific procedures relating to SBUEL

University Regulations apply to the subsidiary company, SBUEL, with separate financial procedures covering the following areas:

Area	Section in these regulations
1. Expenditure	Paragraph 9.1 - 9.6
2. Delegated authorities	Letters of delegated authority
3. HR policies	Paragraphs 8.1-8.13
4. <u>Debtors policy</u>	<u>Paragraph 8.8</u>

Changes to these financial procedures relating to SBUEL will be approved by the SBUEL board. A Statement of Governance was approved by the LSBU board on 19th July 2012.

The board of SBUEL will consider an annual budget for the Company, which will be approved by the LSBU board as part of the overall University budget approval process. Performance against budget will be reviewed by Finance, Planning and Resources Committee and the main board as part of the monthly management accounts

The Director of Enterprise is responsible for maintaining a risk register and the SBUEL board should consider this at its board meetings. Any Significant risks should be escalated to the LSBU Executive for future consideration and inclusion in the LSBU corporate risk register.

Appendix E – Spend Categories not requiring a PO to be raised

The following categories of spend require appropriate contracts to be put in place in accordance with competition requirements, however they do not require a purchase requisition/order to be raised:

- Accreditation
- Bursary and Scholarship
- Childcare Vouchers
- Contract Catering
- Contract Printing
- Legal Fees Associated with Compromise Agreements
- Leased Computer Hardware
- Courier Charges
- CRB checks (via HR)
- Credit card charges
- Franchise payments
- Student recruitment agency fees
- Funding distribution
- Mobile phone rental (via ICT)
- Pension costs paid to LPFA
- Postage (via EAF)
- Rates
- Registrations on behalf of Students
- Rent and service agreements
- Student placements
- Telephone call charges
- Utilities
- Taxation
- One off speakers

Appendix x – Letter of Delegation

1 Delegated Authorities

Delegation of 2018/19 budget

This letter confirms the approval of your budget as set out below and formally delegates authority for this budget to you. You are required to deliver the financial and non-financial outcomes set out in your business plan within this budget. The details of the budget are shown below but in all cases you are expected to deliver the stated level of contribution or net cost.

Total Income	-145,200,000
Total Staff Costs	85,434,846
Total Depreciation	10,500,000
Total Other Operating Expenses	41,247,220
Total Interest Payable	5,300,000
Total Exceptional Items	1,217,934
	-1,500,000
Contribution	-1,500,000

If any cases fall outside the parameters described in this document you must submit the case to me requesting different terms.

Your delegations are personally from me and this letter replaces all previous letters of delegation. This budget includes an agreed contribution, where appropriate, to central unallocated costs. It includes individual staff increments and pay awards.

Budget Monitoring

You may sub delegate management of budget as set out in section 3 of this letter. However, you will maintain overall responsibility for management of the budget above. You should ensure that staff who you sub delegate to are at an appropriate grade for that level of delegation and are aware of all the financial policies and procedures necessary for budget management. Please contact your Finance Business Support Manager for further advice and support on this matter.

Your Finance Business Support Manager (BSM) will review your department's financial position at least once a month. If you anticipate at any time that your income will be lower and/or your expenditure will be greater than budget, you should inform your BSM and the Chief Financial Officer as soon as possible.

In-year Budget review

Given the continuing risk around student recruitment, retention and progression, it is likely that there will be a further budget review during 2018/19 when there will be greater clarity regarding likely income for the year. You should therefore be aware that your budget may be revised during the year and this should be taken into account when committing forward expenditure.

Budgets also might change in year if the budget is updated to reflect things such as awarding additional money from investment pots or to reflect where roles/team have moved from one area to another during the year.

Signature of person delegating

Signed _____ Date _____

Vice Chancellor.

.....

2 Terms of Delegation

Financial Procedures

You will at all times ensure that you and your staff are aware of and act in compliance with the University's Regulations, policies, strategies and guidelines and follow the LSBU Values, You should :

- observe the highest standards of corporate governance and financial propriety
- bring to my attention any aspect of your business which may vary from Regulations, policies, strategies and guidelines
- bring to my attention aspects of your business which may be construed as novel or contentious
- report to me and the Chief Financial Officer if you suspect an act of fraud ,bribery or money laundering has taken place.
- use established systems and procedures for processing financial transactions

Budgeting and forecasting

You will be responsible for the annual budgeting process in your area and for in year financial forecasts. You will set out the strategic direction of your area of responsibility in a local road map, in line with the Corporate Plan, and set out appropriate performance indicators, including student number targets where appropriate.

Use of Resources and Value for money

You will in all cases and at all times ensure that the funds are used for the specific purpose for which they were intended. You will ensure that your department optimises its use of space and that money is not spent on renting external space where suitable rooms are available within the University. You are responsible for ensuring that the University achieves value for money for all its activities including efficient, effective and economic use of all resources.

3 Sub Delegation

You are expected to appropriately sub-delegate your budget subject to compliance with University Regulations regarding investment appraisal, procurement and recruitment of staff. Sub delegation is on the basis that any commitments entered into by your staff comply with all the requirements stated elsewhere in this document and with policies, procedures, strategies and guidelines. You will, however, maintain overall responsibility for budget management in your school or professional services group.

Levels of

Below are financial limits, per transaction, for authorisation of income and expenditure, including

Delegation purchase orders and customer and supplier invoices. You should seek advice from the Financial Controller if the appropriate level of authority for a particular member of staff is unclear. Within these limits you are able to define the scheme of delegation within your department.

Where for operational reasons these levels wish to be varied, proposals must be submitted to the Financial Controller and approved by the Chief Financial Officer.

Unlimited	Vice chancellor, Deputy Vice Chancellor and Chief Financial Officer
£500,000	Other members of the University Executive
£250,000	Deans of Schools
£50,000	Head or Director of a Professional Service Department or a department within a school
£20,000	Other staff

When sub delegating budgets you should satisfy yourself that the individuals receiving the delegation have the necessary experience and support to effectively manage the budget in their area. Contact your Finance Business Support Manager for help with financial training for budget holders.

Authorised signatory list The Authorised Signatory list is held in the Finance Department and must be reviewed at 1st August 2018 and updated if necessary to reflect that scheme of delegation in your department at that date. It must be further updated during the year to reflect any changes to the scheme of delegation in your department, including staff leaving or changing roles and changes to departmental structures.

4 Risk, Governance and Control

Risk Management You will be Risk Champion for your area of operation and will ensure that all members of staff within your area of responsibility comply with the University’s risk management strategy. You will ensure that there is an ongoing process to identify risks, evaluate the nature and extent of those risks and manage them efficiently, effectively and economically. You will report immediately to me and to the Executive any area of significant risk which you identify.

You will take responsibility (through liaison with Procurement Services who manage insurance arrangements on behalf of the University) for ensuring that appropriate insurance arrangements are in place.

Asset Stewardship You should ensure that any assets physically within your care are looked after securely and that procedures are maintain for ensuring the security of assets. No disposals should be made without prior authorisation in accordance with the Financial Regulations.

**Safeguarding
Information and
IT security**

Information and information systems are critical and vitally important assets to LSBU. Without reliable information assets, LSBU, and our students, staff and customers, would be at significant risk. At LSBU, we have a duty to our stakeholders, partners and employees to ensure that the confidentiality and security of the information we manage is treated as a high priority. LSBU is committed to maintaining and protecting all the information it uses or stores in accordance with its value, sensitivity and the risks to which the information is exposed, and in a manner consistent with our relevant legal, regulatory and contractual requirements.

LSBU is committed to protecting individuals' rights and privacy in line with the Data Protection Act 1998 ("DPA") and the General Data Protection Regulation (GDPR) (together "Data Protection Legislation"). LSBU is registered as a data controller under the DPA and processes Personal Data, including 'sensitive personal data' under the DPA, and 'special categories of data' under the GDPR (together 'Personal Data') for the purposes outline in the registration notice available at <https://ico.org.uk/ESDWebPages/Entry/Z6533032>. The University will not share Personal Data of it staff, students and other stakeholders with any other parties unless it has: express consent; a statutory obligation to do so; or are otherwise permitted to do so under the Data Protection Legislation. You are responsible for ensuring that all staff are aware of and comply with the University's Data Protection Policy.

You are responsible for ensuring that all staff are aware of and comply with the University's ICT Policies. You are reminded that sharing or disclosing user names and passwords is a disciplinary matter.

**Contract
Management**

You will comply with agreed procedures for contract authorisation/signing and contract management. When contracts are being awarded or other financially related activity undertaken, you must comply with agreed procedures immediately you become aware of actual or potential conflicts of interest..

Fraud Awareness

You are responsible for ensuring that all staff are aware of the University's fraud reporting protocols and that all incidents of suspected theft, fraud, misuse of University assets or serious weakness are reported in accordance with the Fraud Response Plan. You and you staff should also be aware of the University's Anti-Bribery policy and the code of conduct for LSBU staff to prevent bribery and of the Anti Money Laundering Policy.

You will ensure compliance with the University's gift and Hospitality policy, ensuring that all amounts in excess of £50 are reported on the online gifts and hospitality form.

5 Human Resources

Procedures

You are required to ensure that all Human Resources matters are carried out in accordance with the University's Human Resources Procedures, in particular:

- recruitment procedures and deadlines are followed
- probationary assessments are completed
- performance management procedures are followed
- staff appraisals procedures are followed
- payroll deadlines are met.

You should also ensure that all staff in your area complete mandatory training and comply with health and safety requirements and complete mandatory health and safety training.

6 Enterprise and income generating activities

Authority to proceed with an income generating research or enterprise projects with an external client or funder must be approved in line with the Research and Enterprise Approval Process for each individual client/Funder project regardless of the level of value. The activities that are covered by these Processes are:

- Collaborative research including KTPS
- Commercial and contract research
- Consultancy
- Letting of specialist facilities
- Short courses
- Regeneration programmes
- Intellectual property
-
- Events and conferences
- Student enterprise
- UK Research Councils and EU programme funders of new knowledge research
- Charity Funded programme for new knowledge research
- PhD funded studentships

Staff planning on participation in such activities should discuss these with the relevant Research Enterprise and Innovation (REI) staff who will support them in achieving a sale that conforms to the required approval process.

You are responsible for ensuring that the activities listed above comply with the relevant process as detailed in The Research and Enterprise Approval Process and for alerting REI staff and the appropriate Finance Business Support Officer.

7 Procurement

Procurement regulations

You will arrange for all procurement activity to be conducted in compliance with University regulations, ensuring that major areas of activity are subject to appropriate competitive tender and market testing and that the University achieves value for money in all of its spend. You will comply with all central procurement agreements and not make alternative arrangements

Purchase Orders

Purchase requisitions must be raised and approved to record commitment to all expenditure (unless specifically exempted in the financial regulations) using the web requisitioning process.

Purchasing Cards

You will ensure the purchasing cards are used for the purpose for which they are intended and that all spend is in accordance with University Purchasing Card Guide and does not breach central procurement agreements.

8 Key Documents

Financial Procedures and policies are available on the staff intranet:

<https://our.lsbu.ac.uk/article/how-to/finance-home>

9 Staff Declaration

**Do these things
now**

1. Sign the attached staff declaration, confirming you have received and understand this letter of delegation and return to Natalie Ferer within 2 weeks.
2. Retain this letter of delegated authority for reference during the year.
3. Review your current authorised signatory sheet and, if necessary, complete a new sheet confirming the scheme of delegation within your area. This should be returned to Natalie Ferer within 2 weeks. (blank forms available on the finance section of the staff gateway)

I acknowledge receipt of the letter of delegated authority for the 2018/19 financial year and confirm that I have read and understand my responsibilities with regard to delegated authorities.

I am aware of financial procedures and regulations with regard to income, expenditure and budget management and will ensure staff to who I further delegate are also made aware of University Procedures

Signed _____ Date _____

**Signature of
persons receiving
delegation**

Name _____

Appendix F - Associated documents:

The following documents and procedures support these Financial Regulations and are available on the Staff Intranet or from the Finance Department:

Code of ethics relating to procurement

Tuition fee regulations

Travel and Expense policy

Gifts and Hospitality Policy

Anti-Fraud Policy

Speak Up Policy

Risk Policy

SBUEL Governance statement

Anti-Bribery Policy

[Data Protection Policy](#)

Recovery of Payroll Overpayments

Letter of delegated authority 2015

University Corporate Records Retentions schedule.

Purchasing card guide

VAT Guidance

Capitalisation guidance notes

Manual payment procedures

SBUEL Letter of delegated authority

SBUEL Expenditure procedures

SBUEL HR procedures

General ledger guidance note

Credit Control procedures

Enterprise approval process

VAT exemption form for medical research expenditure

VAT exemption form for Advertising expenditure

Appendix G - Changes to the Financial Regulations in this version

Paragraph	Update
Throughout	Replace HEFCE with OFS
9.1	Brings the process for the approval and management of research projects into line with those for Enterprise activity.
10.	Update the terminology used in the list of activities covered by Research and Enterprise income generating activity. Sets out the process for approval of Enterprise Activity using the HAPLO system Amends the scheme of delegation for Enterprise Activity, replacing the titles 'Director of Enterprise' with Chief Executive Officer for SBUEL activity and 'Director of Research, Enterprise and Innovation' for LSBU activity.
11.2	Addition of sentence requiring that guidelines published by the Finance department must be followed when engaging consultants or self-employed individuals.
11.4	Removal of reference to previously arrangements to use a payroll bureau, removal of reference to HR and Payroll using different systems and addition of the requirement to reconcile control accounts at least monthly
12.4	Update sections describing when Procurement should be involved in purchasing decisions, including specific reference to contracts that involve personal data
12.7	Addition of section setting out where a single quotation can be used Update guidance external funding with specific insurance requirements (also section 16.3)
12.9	Addition of signpost to contract management guidance on staff intranet
17.4	Addition of ability of Deans to sign contracts for student placement contracts Addition of requirement to notify procurement of contract changes
Appendix D	Addition of a specific debtors policy for SBUEL
Appendix	Update sample letter of delegation as an appendix

	CONFIDENTIAL
Paper title:	SBA External Audit Report
Board/Committee	Audit Committee
Date of meeting:	05 February 2019
Author:	Kingston Smith
Purpose:	To present the findings from the audit for the year ending 31 st August 2018.
Recommendation:	It is recommended that the Committee note the attached audit findings from Kingston Smith

Recommendation

The Committee is requested to note the main findings and recommendations contained in the attached report.

The report has been reviewed in detail by the South Bank Academies (SBA) Audit Committee and Board ahead of approval of the SBA accounts. As is required, the report was filed with the ESFA along with the SBA annual report and accounts

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South Bank Academies

Post Audit Management Report

Year Ended 31 August 2018

Post Audit Management Report – South Bank Academies

We have completed the audit of South Bank Academies (SBA) for the year ended 31 August 2018 and whilst we expect to issue an unqualified audit opinion on our Kingston Smith Audit report, there have been significant difficulties encountered which have been identified throughout his report.

As part of our audit work and in accordance with the reporting requirements outlined in the regularity report we have identified irregularities in relation to the maintenance of the books and records and the management information being reported to the Board. Whilst improvements and new appointments have been made and training provided, financial control issues still remain. We have highlighted key areas of concern in Section 2, Section 3 and Section 4 of this report, with further details outlined in the appendices. An explanation of the issues has been included in the Financial Statements by the Directors.

We understand that a new Trust Business Manager has now been appointed post year end and changes to the finance structure and staff have also been agreed. The Trust is also in the process of bringing their accounting system up to date and a more rigorous internal control process is to be introduced once this exercise has been completed.

This report covers the findings from our audit, the scope of which was communicated to you prior to commencing the work. It includes a number of points which have been deemed to be high and medium risk which need to be resolved.

If you have any concerns or questions arising from this report, please contact Anjali Kothari.

Yours faithfully

.....
Kingston Smith LLP

.....
Date

Contents

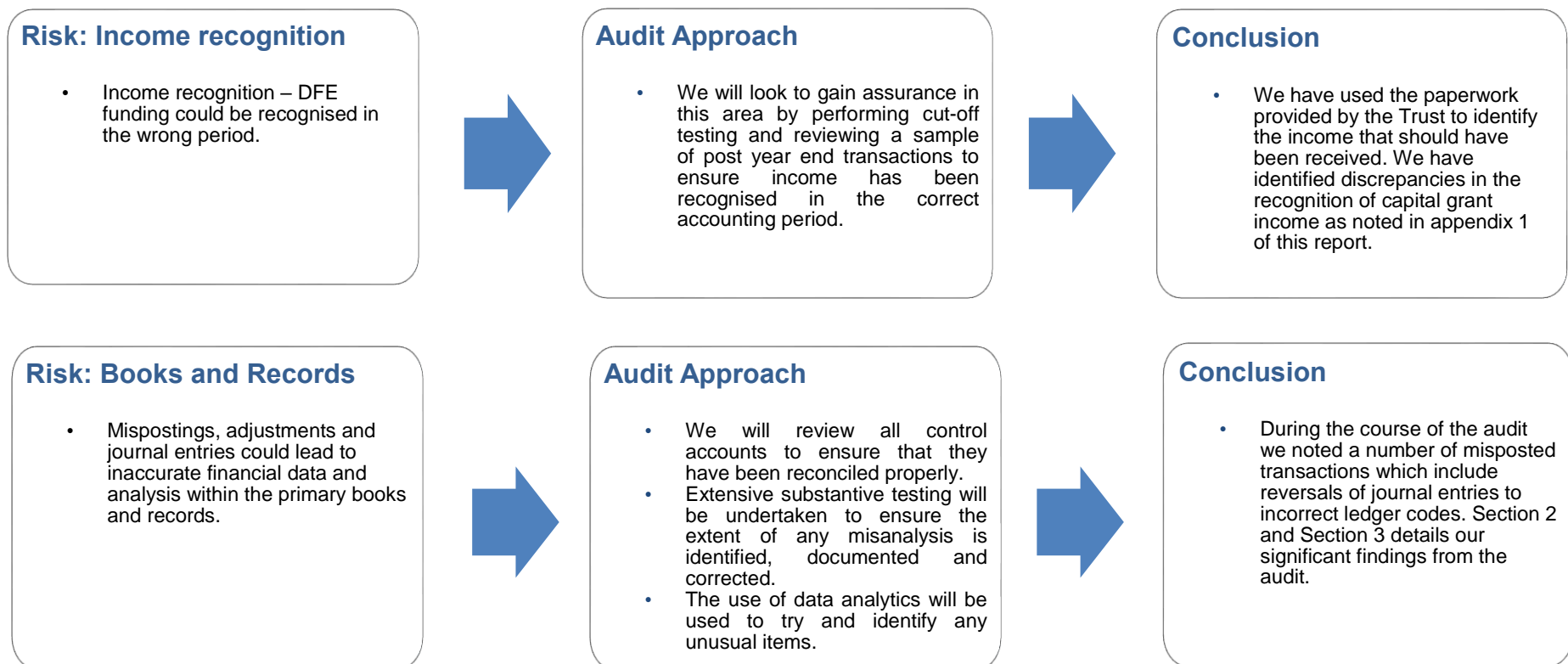
Section 1	Audit Approach
Section 2	Significant findings from the Audit
Section 3	Operation of the Accounting and Internal Control Systems
Section 4	Operation of the Accounting and Internal Control Systems – follow up on prior year points raised for the year ended 31 August 2017
Section 5	Sector update
Appendix 1	Corrected Misstatements and Reclassifications
Appendix 2	Uncorrected Misstatements and Reclassifications
Appendix 3	Other matters

Section 1: Audit Approach

As outlined in our pre-audit letter dated 5 June 2018 our audit approach is based on an assessment of the audit risk relevant to the individual financial statement areas. Areas of risk are categorised according to their susceptibility to material misstatement, whether through complexity of transactions or accounting treatment. For each area we calculated a level of testing and review sufficient to give comfort that the financial statements are free from material misstatement.

The following table lists any risks identified at the planning stage and during the course of the audit, our approach to mitigate the risk and our conclusions from completing this work. Unfortunately due to the difficulties encountered as part of the audit process as identified in section 2 and 3 of this report, and from the work that we have undertaken ourselves we believe that the conclusions we have reached have to be referenced to the detail issues raised within this report.

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Section 1: Audit Approach

Risk: Management override

- Management override of controls – management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records, overriding controls that otherwise appear to be operating effectively (ISA 240 para 31).



Audit Approach

- We will review journals raised in the year for any unusual entries or patterns
- We will test a sample of journals to identify the nature of the journal and evaluate whether there is a genuine rationale for the adjustment.



Conclusion

- Whilst transactional testing did not identify any instances of management override, due to the number of errors that were identified and the lack of information to support the journals that had been processed, we have raised significant issues in the body of this report.

Section 2: Significant Findings From The Audit

We are required under International Standards on Auditing to request you to correct all misstatements identified during our audit, with the exception of those that are clearly trivial.

Corrected material misstatements and reclassifications

As referred to in the Significant difficulties section, the original trial balance presented for audit was not reflective of the year's results.

Management were not able to correct the system on a transactional level within the time frame, but prepared reconciliations and breakdowns for balance sheet items and capital income. A manual extended trial balance was created to record all the adjustments identified from the work undertaken, in order to bring the figures to the correct year end position.

This revised trial balance was then audited, and included as Appendix 1 are the corrected misstatements identified during the course of our audit work which have been discussed and agreed with you.

Uncorrected immaterial misstatements and reclassifications

Included as Appendix 2 are the uncorrected, immaterial misstatements and reclassifications identified during the course of our audit work.

Observations concerning the operation of the accounting and control systems

We detail in section 3 and section 4 other matters concerning the operation of the accounting and control systems that we consider should be brought

to your attention. The observations have been ranked in order of potential risk to the Trust.

We look forward to receiving your responses on the points raised.

Due to the nature of an audit we may not have identified all weaknesses within the accounting and internal control systems which may exist and the contents of this section of our letter and any items disclosed in this report should not therefore be taken as a comprehensive list of such weaknesses.

Significant difficulties

We experienced significant difficulties and delays during our audit as financial information presented to us was incomplete and did not accurately represent the underlying financial records.

The original draft accounts presented for audit were not reflective of the year's results, underlying records and a number of the key control accounts had not been reconciled or reviewed.

The answers given to some of the audit queries and requests during our audit work were inadequate and indicated a lack of understanding of the underlying issues, or are reflective of the lack of a full audit trail throughout the year.

There appears to be a communication issue between the central function and the individual academies as to who holds specific supporting documentation. This has been noted in section 4 of this report.

Section 2: Significant Findings From The Audit

Whilst we appreciate there has been some progress in year in areas such as payroll, however there are a significant number of points that were raised last year that have reappeared as issues this year and these have been updated in section 4 of this report.

Significant matters

The number of significant issues noted within this report as well as the state of the financial records indicate that no adequate internal reviews had been undertaken by an independent person during the year which would have identified the issues sooner. This has resulted in a number of control deficiencies that were noted during the course of the prior year audit being noted as still not having been resolved or rectified.

It also indicates the lack of systematic controls and processes that should be undertaken on a weekly/monthly basis. In light of the outcome of the prior year audit we were engaged to perform an interim audit to provide assurance over the financial records. The interim work was undertaken in July 2018 and we identified the issues needed to be resolved before the final audit was undertaken.

The unresolved issues included the purchase ledger control account which included a number of duplicate entries, year end balances, payment only entries and outstanding invoice payments where invoices had been paid directly through the bank as identified during the prior year audit. In addition, prior year journals posted directly to this account had not been reversed and resulted in the aged listings not reconciling to the trial

balance. A review of the ledger and a process to reconcile it to the trial balance would have identified the discrepancies at a much earlier stage.

Whilst we appreciate there have been improvements during the year, there are still a number of errors that have been identified and corrected during the current year audit, and there are still figures included in the accounts where although materially correct based on the information we have to date, we cannot be certain will not result in a prior year adjustment in the following year. For example we are unable to ascertain whether an accrual of £111k is an accurate charge for the light and heat used.

Management Response

Following the 2016/17 audit which was finalised in January 2018, a number of processes were redesigned and additional control processes were put in place. This included independent review of the bank reconciliation, tighter controls around supplier payments, agreement to implement functionality available in our accounting system, formal review and approval of the payroll, implementation of a month end processing and reconciliation check list, automating the production of management accounts and agreement to move to a single bank account. However, it has been recognised this year that lack of skills and capacity within the Trust finance team has made it difficult to implement all of these new processes and procedures. A new Trust Business Manager has now been appointed and retraining of staff is already underway.

Section 2: Significant Findings From The Audit

It has also been agreed to change the structure of the team responsibility for financial processing within the Trust Finance function to reduce the risk of problems reoccurring in the future. An interim solution will be in place by the end of December 2018 with a permanent staffing structure due to be put in place in the first half of 2019.

In addition to the above, the Trust has now engaged PwC to deliver its internal audit function. The first review took place in September 2018 and a number of recommendations were made which The Trust is in the process of addressing. A follow up review is planned to take place in the first quarter of 2019.

There have also been changes to the management structure across the Trust following concerns around management oversight. This includes the previous CEO being replaced, appointment of a new Trust Business Manager and alignment of school management structures with the appointment of a single Executive Principal.

Detailed Management responses are shown in section 3 of this report. As indicated above, significant progress has been made during 2018 in terms of staff, process, roles and governance. It is planned that most remaining matters will be addressed by April 2019, in particular those relating to routine monthly processing and month end routines.

Management Representation Letter

A draft of our proposed management representation letter has been sent to you under separate cover. All of the matters included in this letter on which we seek the Trustee's formal confirmation are in respect of routine matters, except for the following:-

Point 7 – This we only refer to material transactions as opposed to all transactions

Point 8 – This has been expanded to refer to donated services and South Bank University

Point 9 - This has been included to capture the transactions with South Bank University which have been disclosed within the related party note of the accounts and that the Trust believes the transactions have taken place at arm's length.

Point 11 – we have sought further confirmation that we have all the information we need in respect to the notional rent for South Bank Engineering UTC

Point 14 – We have asked for confirmation on the LGPS liability associated with the MAT

Point 15 – We have asked for you to confirm the accrual of £186k for light and heat is valid based on the information available to you at the time of signing this letter.

Section 2: Significant Findings From The Audit

Point 17 - We have asked you to confirm that the actuarial assumptions used by the actuaries Aon Hewitt Limited and Hymans Robertson LLP in calculating the actuarial movements, and fair values of the assets and liabilities of the local government defined benefit pension schemes are consistent with our knowledge of the trust.

Point 28 – The point has been expanded to take note of the additional wording relating to the Regularity audit report in the financial statements

Point 29 – the point has been expanded to include reference to materiality.

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
1	Reconciliation of Reserves It was noted that opening reserves did not reconcile to the opening trial balance by £608k. This was as a result of capital grant income and the associated depreciation on these assets being posted directly against reserves.	HIGH	This resulted in the opening reserves in the trial balance being materially incorrect.	Adjustments should not be posted to reserves. Where reserves transfers are required these should purely be reallocations between reserve balances	Agreed. Correct accounting treatment will be applied going forward.
2	Use of Capital Grant Funding On review of the assets funded via the UTC ESFA capital grant it was noted that £83k worth of these assets had been capitalised within the UAE fixed asset register. The Trust believes that they have received prior agreement concerning the use of shared assets across both academies however we have not been provided with evidence of approval could not be provided. Therefore we were unable to see evidence that the funding was spent in line with the grant conditions.	HIGH	As we have not been provided with evidence to agree that the funding can be spent on UAE assets, we are led to conclude that this may have resulted in UAE benefiting from the use of assets for which UTC has funded and thus not in accordance with the terms of the grant.	Where funding has been granted, it should be spent in line with the stipulated terms of the agreement unless prior approval has been received from the ESFA. Where prior approval has been granted we recommend that evidence of this is kept and is readily available should it be required.	We are satisfied that the assets purchased from the capital grant are being appropriately used by the UTC. We will recode these assets within our ledgers to correctly reflect their usage.

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
3	Monitoring of Capital Grants The trust does not track its capital funding expenditure against the grants that are received. During the audit we noted discrepancies between the UTC ESFA capital grant and the Local Authority schedule 21 funding.	HIGH	The Trust cannot prove that it has spent the money in accordance with the terms of the grant.	We recommend that procedures are implemented to continuously monitor capital grant spend. The accounting system should be set up and used to ensure capital funding and the associated expenditure can be tracked. In addition this will help identify any spend incurred for which income has not yet been received and therefore additional funding to be accrued at the year end.	Agreed. Capital funds received and spent will be reconciled as part of the month end process and reported as part of the monthly management accounts. At year end grants spent but not yet received will be accrued
4	Other Creditors (Including Salary Advances and Payroll Control) Salary advances are not reconciled and not indicative of outstanding balances. The accounts are showing a debtor of £5,065 and a creditor of £16,830 where the majority of items have had no or little movement from the prior year. Salary advances have not been properly recorded on the system or tracked. Details of what balances related to have not been made available.	HIGH	The overall outstanding balance which would normally be an overall debtor in the accounts is currently sitting as a net creditor. Not only can this result in costs not being recovered by the Trust and or challenges by staff.	A review should be conducted in regards to 'Other Creditors' and any amounts that are unable to be reconciled to relevant documentation should be written off. It is also recommended that a list of all salary advances including season ticket loans is prepared and reconciled against payroll deductions on a monthly basis.	Agreed. This task will be part of the month end reconciliation process and will also be checked when checking payroll reports before payroll is approved. Overall payroll accounts are being reconciled including the main net pay, PAYE and pension control accounts but during the year smaller reconciling items were not addressed. Going

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
					forward all payroll control accounts will be reconciled and reconciling items investigated as part of the month end process. Please also see management response on Page 4.
5	Bank Mandate We were not able to see an up to date bank mandate onsite and one has had to be reordered from the bank. This shows that documents might not be filed and stored correctly. The bank mandate has also not been updated for the Trustees who have left or joined during the year.	HIGH	In the event of the main signatories not being present, the MAT could incur penalties for not making payments on time as was the case during the year when LSBU had to pay expenses on behalf of the MAT. In addition, the existence of old signatories on the bank mandates (especially where employees have left the Trust) leads to an increased risk of fraudulent transactions taking place.	It is recommended that all important and confidential documents are filed correctly so that they can easily be retrieved. It is also recommended for the bank mandate to be kept up to date to minimise the risk of fraud.	Agreed. Going forward, instruction will be sent to Lloyds to update the mandate as personnel change.

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
6	<p>Trade Creditor Reconciliations The UAE trade creditors listing could not be reconciled to the year end trial balance by £59k.</p> <p>In addition, there balances noted on all listings which were labelled 'YE PL Adjustments on the trade creditors reports. The amounts are:</p> <ul style="list-style-type: none"> - UAE - £39,980 - MAT - £-1,862.05 - UTC - £-585.56 <p>It was also noted that a number of suppliers had been paid twice. We believe that this is a result of the lack of controls surrounding the posting of transactions and invoices as well as the maintenance and reconciliation of the trade creditors listing.</p> <p>Although the net adjustment made to the accounts was immaterial this resulted in the year end listing not reflecting the true yearend balance.</p>	HIGH	<p>The Trust could potentially be paying suppliers based on incorrect data. This could also lead to the Trust being unaware of supplier invoices due to be paid. As evidenced during the audit a number of duplicate payments had been made. These duplicate payments have a negative impact of the Trusts cash flow and has resulted in trade creditors being understated.</p> <p>Consequently trade creditors may be misstated due to the fact that we are unaware what these cost constitute and whether they actually relate to creditors at the year end.</p>	<p>Trade creditors aged listing should be reconciled to the purchase ledger control account on a monthly basis and any differences investigated. The ledgers should be reviewed for unusual balances which differ from expectation.</p> <p>By making full use of control accounts, e.g. trade creditor control account, it will help prevent duplicate payments. Reconciling the trade creditor control account on a monthly basis will help identify those balances which are still outstanding and those which are now cleared. Whilst this will not eradicate instances of duplicated payments being made this is one of the ways to help mitigate the risk.</p>	<p>Agreed.</p> <p>The supplier accounts that make up the difference between the PL and control accounts have been identified and we have asked the software supplier for help in correcting this. The supplier has not so far been able to offer this support. Going forward, this reconciliation will be completed as part of the month end reconciliation process and any discrepancies will be investigated.</p>

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
7	Payroll Documentation Student working for the academy trust are not issued contracts of employment although they are included on the monthly payroll. This is relevant for the following student members of staff <ul style="list-style-type: none"> - Aaron Iduh - Jackson Moore - Andre Edwards 	HIGH	Lack of clear evidenced and agreed terms and conditions can increase the risk of misunderstandings and disputes. In the event that the entity is taken to a tribunal, a clear contract will help to support the entity's position.	It is recommended that employment contracts are drafted for all student employees.	These students are casual workers and contracts were not in place. We will consider issuing casual worker contracts to students.
8	Bank reconciliation Whilst we note that the bank reconciliations were provided and a listing of transactions reconciling the trial balance to the year end bank statement were prepared, we note that the bank reconciliations included reconciling items that could not be validated.	HIGH	The bank forms the core of the financials for the year. Where reconciling items are not indicative are valid reconciling transactions this can result in a number of other areas of the financial being misstated. For example, any proposed adjustments from the bank reconciliation to other control accounts such as trade creditors would result in questions over the reliability over what has the reported within the trade creditors listing.	Bank reconciliations should be performed each month to ensure errors are easy to detect and can be rectified immediately. Bank reconciliations along with documentation of reconciling items allow for more efficient management; knowing what has cleared the bank and what hasn't will be beneficial in trade creditor and payable reconciliations.	Agreed. Bank reconciliations have been prepared by University staff since January 2018 but some reconciling items have not been correctly allocated. Going forward a more robust month end process will ensure that all reconciling bank items are followed up. Also see management comment on page 4.

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
9	<p>Timely posting of transactions Ledgers have not been updated and maintained during the year. Invoices have been posted in the incorrect period due to lack of timely posting of invoices on receipt. The insufficient monitoring of income has also resulted in the understatement of income and income was noted as not being correctly allocated within appropriate nominal codes within the ledgers.</p> <p>For example:</p> <ol style="list-style-type: none"> Capital grant income had been netted off the expenditure and therefore no complete record of income received and assets purchased was maintained during the year. We identified £303k of fixed asset payments which should have been recognised within trade creditors and prepayments last year. These assets were funded by grant income which should have 	HIGH	<p>This has resulted in the misstatement of a number of balances in the accounts and has also meant that the Trust will not have a clear view of any amounts outstanding, paid or received on review of the ledgers as they are not complete and have not been maintained.</p> <p>Transactions have not being accounted for in the correct period which goes against the accruals reporting concept.</p> <p>This will also have a knock on effect for the financial figures and budgets included in this year's accounts as prior year prepayments should have been reversed against the correct nominal account.</p>	<p>We recommend that all invoices are posted to the system as soon as they are received. Monthly reconciliations of all control accounts and income should be performed.</p> <p>Invoices should be processed and reviewed upon arrival to ensure the correct accounting treatments have been applied.</p> <p>Where a prepayment has been identified and adjusted for, we would expect that the reversal of the prepayment should be processed back against the original nominal account that was adjusted.</p>	<p>Agreed.</p> <p>Going forward, correct accounting treatment will be applied. A required timeline for posting sales and purchase ledger items will be agreed and general ledger posting and reconciliation will be undertaken in line with the month end check list with a target of 10 working days after month end.</p>

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
	<p>been accrued for in 2017. All transactions have been included in this year's accounts.</p> <p>3. We also noted incorrect treatment of prior year prepayments has occurred during the year. Instead of being allocated to the correct nominal code to which they relate. They have been posted to the 'write off' account.</p>				
10	<p>Depreciation of fixed assets As a result of a fixed asset register not previously being maintained, the straight line depreciation is being calculated on costs brought forward. There is no full record of assets held or their associated net book values.</p>	HIGH	<p>By calculating the depreciation charge straight line based on cost brought forward, the Trust is unable to identify assets as they are coming to the end of their Useful economic life and therefore assets are at risk of being depreciated in excess of cost.</p> <p>Fixed assets are highly material and therefore the depreciation charge associated with any assets are likely to be material and the incorrect application of the depreciation policy is therefore likely to result in material misstatement.</p>	<p>We recommend that a full fixed asset register is maintained which shows the depreciation charges on a monthly basis by asset. This will enable depreciation to be calculated from the date of acquisition to the date of disposal and will allow for tracking of assets.</p>	<p>Agreed.</p> <p>A fixed asset register has been maintained throughout the year and includes calculations of depreciation but does not detail opening balances or identify grant funded assets.</p>

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
11	LGPS pensions We could not be provided with an LGPS actuarial report which incorporated the liability associated with staff members employed in the MAT.	MEDIUM	Whilst this related to only one employee this has resulted a understatement of the year end liability in the accounts.	We recommend that the Trust reviews the documentation received by the actuaries to resolves any issues directly. The actuarial reports should be reviewed in detail to ensure the information contained within them is consistent with the Trusts expectation and underlying records.	Agreed. It has been difficult communicating with the pensions team at Southwark but going forward actuarial reports will be reviewed and reconciled to accounting and HR records
12	Local Authority income We could not be provided with details on local authority income received for the Summer Term for each school.	MEDIUM	Incomplete records surrounding income can result in the misstatement of income. Additionally the lack of controls surrounding the posting of income in the ledger and reconciliations can result in the Trust having not received income that it is due.	The Trust should reconcile income against both remittances and expectation noted any amounts which may be misallocated or not yet received but due.	Agreed. The income referred to had not been claimed or received until after year end and it is agreed that the income should have been accrued. Going forward detailed analysis of income against budget or the raising of a sales invoice will ensure that income had been properly recorded. The budget will include all expected income streams to make this variance analysis meaningful.

Section 3: Operation of the Accounting and Internal Control Systems

	MATTER ARISING	RISK	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
13	Building occupied by UTC There does not appear to be documentation i.e. a license to occupy or a lease with Trinity Academy London for the use and occupation of the building.	MEDIUM	Although the building is occupied and in use by UTC there needs to be documentation in place to support the current arrangement.	We recommend a lease or license is obtained correctly reflect the status of the arrangements between UTC and Trinity Academy London.	Agreed. We have however been in talks with The Department for Communities and Local Government for 2 years on this matter which can only be dealt with once the building is complete.
14	Accruals Some items which have been accrued for are of a trivial value, and will therefore have minimal effect on the financial statements. A significant number of these accruals were also noted as being invalid with respect to the current financial year.	LOW	It is likely that a significant amount of time is involved in the administration needed to account for numerous trivial accruals, especially with a small finance team. This has therefore resulted in accruals not being tracked and released as and when required and thus accruals which are not valid being present on the year end listing.	There should be a consideration of implementing a threshold value of which it should then be compulsory to raise an accrual. Whilst it is good practice to account for all accruals required, we would recommend that controls are put in place to ensure all larger amounts are accounted for first.	Partially agreed. Even though some accruals will have minimal effect on the financial statements, they may be important in terms of management of individual budgets. It is agreed that invalid items should not have been accrued.

Section 3: Operation of the Accounting and Internal Control Systems

We have given each of our observations a risk rating as explained in the key below:-

RISK RATING FOR MANAGEMENT REPORT POINTS		
	Risk rating	Explanation
	Low	Issues that would, if corrected, improve the internal controls or accounting practices 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.
	Medium	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.
	High	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.

Section 4: Operation of the Accounting and Internal Control Systems – follow up

Prior Year Points

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
1	Roles and responsibilities It was noted that there is a lack of clarity over individuals' roles and responsibilities within the finance team particularly in respect of the accounting system, once the former finance manager had left the Trust.	HIGH	This caused omissions of some entries such as payroll entries, and duplication of others such as purchase invoice payments, and therefore a material misstatement of the figures. This also caused journal entries to be processed without clear audit trails.	It is recommended that clear roles and responsibilities are allocated amongst staff and clear procedures are put in place for all aspects of the accounting system. Adequate training must be given to all members of staff who are responsible for maintaining the accounting records.	Whilst we appreciate that progress has been made including new appointments and training and the development of a scheme of delegation as agreed with the DfE, this needs imbedding in. During the course of the onsite visit when requesting documentation it was not clear whether information was held by individual schools or centrally.

Section 4: Operation of the Accounting and Internal Control Systems – follow up

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
2	Cash management Bank reconciliations were not performed during the year. This has resulted in material adjustments being required as prompted by auditors. As this work is being done long after the date of transactions, there is increased risk of misstatement and does not reflect timely bookkeeping or management.	HIGH	Conducting regular bank reconciliations is regarded as a basic financial management tool. In the absence of this basic check, the Trust is unable to prove that the accounts and the financial information is correct.	It is recommended that formal bank reconciliations are performed on a regular basis - once a month - and the bank balance as per PS Financials is reconciled to the bank balance as per the bank statements. Any issues identified should be investigated and resolved on a timely basis.	Whilst the bank reconciliations have been performed this year, although immaterial, a number of transactions were noted on each reconciliation that were not indicative of actual reconciling items and therefore did not accurately reflect the year end cash position.
3	Accounting system Through discussion with management, and review of the financial data presented for audit, it is apparent that those in charge of the finance function are not fully conversant in PS Financials and inadequate training was provided.	HIGH	For example, we note that some expenditure invoices have been posted multiple times to creditors and expenditure, following payment, we note that the transaction has been between bank and expenditure; therefore overstating expenditure and leaving the MAT open to risk of overpayment.	We recommend that all appropriate staff members are formally trained on PS Financials and are trained on their function as well as other functions to ensure that there is always someone on hand with knowledge of the system to advise appropriate treatment.	We believe that this continues to be an issues for the Trust. During the course of the audit we identified duplicate payments and postings for purchase invoices which resulted in the trade creditor's accounts not appropriately reflecting the year end position.

Section 4: Operation of the Accounting and Internal Control Systems – follow up

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
4	Management information It is clear from the information viewed, that full management information has not been prepared and reviewed on a regular basis during the year.	HIGH	Management have a responsibility to review regular management information and this would have identified the deficiencies in the system at an earlier point during the year.	A full set of management information should be made available and reviewed at least on a termly basis.	Management accounts have been prepared from February 2018. Having said this we believe that the management accounts are at risk of being incorrect due to the lack of timely posting of transactions, as detailed in section 3 of this report.
5	Control accounts Control accounts are not being utilised properly, reviewed nor reconciled, such as net wages, PAYE/NI, pensions, trade debtors, trade creditors.	HIGH	The payroll charge is significant to the MAT - if the journals are not being processed monthly as per the payroll reports, then there is a major weakness in the controls surrounding the payroll function. There is therefore a risk of misappropriation of funds as the reporting could be manipulated and payments manipulated also as there is not a full reconciliation of the charge and the payments made.	We recommend that the payroll process is revised and a formal reconciliation of the payroll report with the postings as per the financial system are reconciled with the payments made. This should ensure that staff are paid appropriately as per approved calculations and that we reduce any misappropriation risks.	Whilst we note that the Trust now utilises the control account function and a number of reconciliations are now being performed, we have noted that these do not accurately reflect the year end position. References to trade creditors and bank reconciliations have been noted within section 3 of this report. We also note that the PAYE/NIC control account did not correctly reflect the year end liability.

Section 4: Operation of the Accounting and Internal Control Systems – follow up

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
6	Supplier transactions The supplier ledger within PS Financials is not being utilised, and management have confirmed that they do not have a complete listing of liabilities as at 31 August 2017, with the year-end position being ascertained based on post year end payment of physical invoices located.	HIGH	Given the size of the trust, the lack of a functioning supplier ledger increases the risk of duplicate payments being made as there is no complete trail of purchase invoices and payments made.	We recommend that supplier invoices and payments are properly tracked within the accounting system so that outstanding balances can be seen and historic invoices can be viewed.	During the course of the audit we noted that supplier transactions were being posted to supplier accounts.
7	Land and Buildings As at 8 January 2018 a 125-year lease for the land and buildings of UAE was made available to us as the external auditors. Being dated in August 2016, this represents a material prior year adjustment to recognise the long leasehold property controlled by the Trust, and this information should have been made available to us during the prior year.	HIGH	Whilst the accounts have been adjusted for this material prior year adjustment, this is a significant item which we as auditors had not been initially informed of.	The Trust has a responsibility to ensure that there is no relevant audit information of which the external auditor is unaware.	An updated land and buildings valuation for UAE is not yet available and is still being sought by UAE.

Section 4: Operation of the Accounting and Internal Control Systems – follow up

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
8	Unidentified provisions Upon querying the accruals balance, there is an unsupported general provision for energy costs of £111,000, and unidentified accruals of £42,325. Total energy costs recognised within expenditure for the year however only amounts to £58k.	HIGH	This indicates a lack of clarity and control over the expenditure recognised within the trust's financial statements.	We recommend that proper controls are put in place around supplier invoices which would allow clear monitoring of transactions.	Whilst we did not note any 'unidentified' accruals, we noted that a significant number of accruals related to older transactions that had not been cleared off the ledger and therefore should not have been included as a year-end accrual. We have received a narrative confirming the basis of calculation for the current year energy cost accrual however the prior year provision has changed and is neither the same as that provided for last year or based on the information used to calculate the current year provision.

Section 4: Operation of the Accounting and Internal Control Systems – follow up

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
9	Related party transactions There is not an appropriate process in place whereby related parties and pecuniary interests of key management personnel are recorded on a timely basis	HIGH	There are specific ESFA requirements that state Academies are to keep a record of related parties and pecuniary interests of all key management personnel, directors and budget holders. This is to ensure that all goods and services procured are done so at a reasonable rate, and to ensure that management are fully aware of related parties at all times.	It is recommended that a formal register of related parties and pecuniary interests is kept centrally by the finance team. It is further recommended that this is updated when new staff are appointed, and on an annual basis. This will allow for the MAT to be aware of all related parties at all times.	We note that there is a formal register of related parties maintained by the University Governance team.
10	Accruals based reporting The accounting records were being maintained on a cash accounting basis instead of an accruals and prepayments basis. A number of adjustments had to be processed to recognise the appropriate accruals, creditors and accrued income.	MEDIUM	There is a risk that incorrect financial information is presented to the board.	The finance staff need to be trained to understand the difference between cash accounting and the accruals concept. This should incorporate an understanding of cut off procedures making it easier to identify the necessary adjustments for monthly, termly and year end accounts.	We note that this continues to be an issue. On review of year end prepayments and accruals we noted that these were incomplete. For example, rates prepayment had not been accounted for, pupil premium not accrued and PNA adjustments not accrued.

Section 4: Operation of the Accounting and Internal Control Systems – follow up

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
11	<p>VAT receivable</p> <p>Throughout the account period, we note that only 2 VAT 126 returns have been processed and submitted.</p> <p>The UTC VAT balance per PS Financials is £56k overstated compared to the draft claim workings.</p> <p>The VAT balances have not been reconciled during the period.</p>	MEDIUM	<p>There is a risk that these claims have been prepared incorrectly and/or the balance showing as receivable in the accounting system is incorrect.</p> <p>The Trust is also not taking advantage of cash flow opportunities as these returns can be processed on a monthly basis.</p>	<p>It is firstly recommended that the financial system is brought up to date and the VAT 126 returns already processed are reviewed for appropriateness. It is further recommended that the governors of the MAT consider adopting the policy of processing these returns on a monthly basis to aid inflows.</p>	<p>On review of the current year VAT ledger we note that although immaterial at £20k a number of outstanding amounts were dated pre 2016.</p> <p>The year end VAT control account therefore did not accurately reflect the year end liability. We also note that returns continue to not be processed on a timely basis and therefore is no reconciliation of VAT receipts against VAT 126 returns and therefore we do not believe the Trust is able to monitor what is outstanding and has/hasn't been claimed on a continuous basis.</p>

Section 4: Operation of the Accounting and Internal Control Systems – follow up

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
12	Fixed asset register A formal fixed asset register is not maintained	MEDIUM	The figures within the trial balance in respect of fixed assets are highly material to the MAT, we were not provided with supporting documentation by way of a fixed asset register. This therefore a risk that depreciation, capital additions and capital disposals are not processed appropriately on a timely basis. The fact that this is not being done on a timely basis means that management may not remain aware of the true position of the Academy at all times.	It is recommended that a formal fixed asset register is maintained with capital transactions and depreciation being posted on a regular basis (at least termly), when the management accounts are prepared. This will ensure that the true position of the Academy is reflected at all times.	The fixed asset registers provided for the current year included only current year additions. A full register of all assets held is not maintained and therefore we believe this matter remain an issue.
13	LGPS pensions We identified discrepancies between the amounts showing on the actuarial reports for employer contributions received, and the trust records of employer contributions paid to the scheme.	MEDIUM	These discrepancies indicate potential error in the information used by the actuaries in preparing the LGPS pension report figures.	We recommend that the Trust reviews the documentation received by the actuaries and reconciles contributions paid to internal records, with discrepancies investigated and resolved directly.	On reconciliation of employer contributions presented on the actuarial report to the Trusts records, we continued to note discrepancies.

Section 4: Operation of the Accounting and Internal Control Systems – follow up

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
14	Agency staff The agency staff costs in the year of £587k is extremely high compared to other trusts, and indicates a potential staffing and budgeting issue which should be closely monitored.	MEDIUM	Having heavy reliance on agency staff is a potential issue and needs to be managed by the team. Whilst there is an obvious financial impact, it also has an impact on the day to day operations as there is inconsistency in approaches as staff change.	We recommend that the Trust reviews its staffing position and prepares an action plan in respect of this area.	The Trust is confident that they have reviewed their staffing position and have approved a budget in accordance with this. They have informed us that they have monitored costs closely during the year and are satisfied that they are reasonable. In addition they have stated that whilst current year agency costs remained fairly consistent at £576k, they have reduced in absolute terms as a percentage of staff costs. As expected, staff costs have increased significantly during the year which reflects the corresponding increase in the level of activity of the Trust.

Section 4: Operation of the Accounting and Internal Control Systems – follow up

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
15	Members and directors It was noted that the appointed members and trustee directors of the trust were not reflected accurately and on a timely basis at the get-information-schools.service.gov.uk website (previously known as Edubase) - (the DfE's register of educational establishments).	MEDIUM	The Trust is in breach of the Academy Handbook requirement that the Trust must notify DfE of the appointment or vacating of the positions of members, directors and local governors within 14 days of that change through the governance section of DfE's Edubase.	We recommend that the Trust gets the information up to date and monitors this on a regular basis.	We are satisfied that Edubase is up to date as at the date of audit.
16	Expenditure vs budgets The budget for the year (as approved by Governors) had not been uploaded onto the PS Financials system. Therefore, the current financial position cannot be properly monitored or managed as compared to the budgets set.	LOW	Expenditure cannot be monitored against the budget without accurate reporting and there is therefore an increased risk of the Trust not adhering to the approved budget which increases the risk of excess spending.	The approved budgets are uploaded into PS Financials once finalised. It is further recommended that the budget to actuals are compared on a regular basis (perhaps termly) and any projected under / over spends can be brought to attention in a timely manner.	Whilst the 2017/18 budget was uploaded within PS Financials, the lack of timely postings will have resulted in inaccurate reporting of under/spends.

Section 4: Operation of the Accounting and Internal Control Systems – follow up

	MATTER ARISING DURING THE YEAR ENDED 31 AUGUST 2017	RISK	IMPLICATION	RECOMMENDATION	FOLLOW UP TO 31 AUGUST 2018
17	Payroll records As a result of the testing performed, an instance was noted where we could not locate a staff leaver's supporting documentation to confirm their leave date from UAE.	LOW	There is a risk of misappropriation of the MAT's funds here as incomplete record keeping could result in this member of staff not being removed from payroll appropriately.	It is recommended that the process of processing starters and leavers is formalised. As well as this, there should be a checklist for starters / leavers to ensure that the appropriate steps are taken and documents are processed; for example a P45 and resignation letter.	During the year we noted that a number of student workers had not been provided with employment contracts although paid via payroll. Consequently we have raised a current year observation regarding this.
18	Central recharges Where internal bank transfers are made, there is not always supporting documentation available.	LOW	If inter academy transactions are not being consistently monitored and recorded, then the risk of entity level reporting being inaccurate is increased.	Where a financial transaction is to be processed there should be sufficient and appropriate evidence and documentation to support this. Where there are internal recharges required to be posted via journal, it is recommended that a schedule is maintained as to the basis of the recharge as well as who it has been approved by and when the posting has been made.	Central recharges were posted at the yearend via intercompany ledger transfers and therefore we did not see any physical payments with respect to these transactions. We continued to note that supporting documentation in the form of an invoice has not been available in support of the transactions and therefore the matter remains unresolved.

Section 5: Sector Update

Academies Useful Links

There are a number of links which the Governors and senior leadership might find useful and these are listed below:-

Gov.uk

<https://www.gov.uk/government/collections/schools-financial-health-and-efficiency>

<https://www.gov.uk/guidance/schools-financial-efficiency-top-10-planning-checks-for-governors>

<https://www.gov.uk/academies-fianncial-assurance>

<https://www.gov.uk/academies-severance-payments>

<https://www.gov.uk/government/collections/academies-investigation-reports>

NABSM good practice Library:

<http://nasbm.co.uk/Home/Efa-Academies-Library.aspx>

FD Forum:

www.thefdforum.co.uk

ICAEW:

www.icaewvolunteers.com

Section 5: Sector Update

Employment tax changes commencing 6 April 2018

From April 2018, the employment tax rules changed again.

Termination payments

From 6 April 2018 the taxation of termination payments changed. The aspect which has the most impact is that both contractual and non-contractual payments in lieu of notice (PILONs) will be taxable and subject to Class 1 NIC's whereas, before April 2018, non-contractual PILONs can be tax and NI free.

The taxable amount after April 2018 is the amount the employee would contractually have been entitled to had they worked their notice period. This includes any bonus, commission or incentive payments that they would be entitled to had they worked their notice period, as well as any sums which would accrue during the notice period. The amount calculated is treated as earnings and will not be eligible for the £30,000 Income Tax exemption.

Also changing is the calculation of termination packages which are subject to NICs. Although this has now been delayed to April 2019, payments in excess of the £30,000 exemption are subject to employer's NIC but not employee's NIC whereas before this date they were exempt NIC altogether.

Employers will have to provide itemised payslips from April 2019

[The Employment Rights Act 1996 \(Itemised Pay Statement\) \(Amendment\) Order 2018](#) comes into force on 6 April 2019. It aims to increase transparency of employees being paid correctly and address underpayment – whether national minimum wage, national living wage or under the employee's contract of employment. This will apply to employees with an hourly rate, not salaried employees with fixed working hours.

From April 2019, employers will be required to include on payslips the number of hours worked by an employee for which they are being paid. This will only apply where the employee's pay varies because of actual time worked.

Where the amount of wages or salary varies by reference to time worked, the total number of hours worked in respect of the variable amount of wages or salary will be shown either as:

- a single consolidated figure by showing the combined number of hours worked for which payment is being made; or
- separate figures for different types of work or different rates of pay by itemising the figures for different types of work worked and/or different rates of pay.

The new order amends section 8 of the Employment Rights Act 1996, adding to the list of particulars which must be included in the itemised pay statement which an employee has a right to be given.

Section 5: Sector Update

Currently, an employer only has to include:

- details of the employee's gross amount of wages or salary;
- deductions from that gross amount; and
- the net amount of wages or salary received.

What action should employers take?

Before the order comes into force, employers should:

- Adjust their payroll processes to collect the new information required; and
- Amend the format of their payslips to include this new information, where appropriate.

Please note that the amendments only apply to periods worked after the new order comes into force in April 2019.

What action will an employee be able to take?

An employee will be able to see on their payslip whether the number of paid hours matches their record of how many hours they have actually worked. Employees can then:

- challenge their employer if they think their payslip is wrong;
- raise a case with the Advisory, Conciliation and Arbitration Service (ACAS); or
- raise a case with HMRC (if the national minimum wage has not been paid).

In all these cases, the employee will be able to use their payslip as evidence.

Fraud in the Charity Sector

Fraud in the charity sector is unfortunately at an all-time high, with recent estimations being a loss of £2.3bn annually to the UK Not for Profit sector (an increase of some £400m from estimates shared in 2016). Alongside our own Kingston Smith specialists in this area, the sector is beginning to develop a suite of tools, guides and blogs which are worth a visit to ensure your Charity is aware of the key fraud considerations, potential pitfalls and suggested controls:

- The Fraud Advisory Panel (a registered charity and independent voice of the anti-fraud community) - <https://www.fraudadvisorypanel.org/>
- 10 questions every Trustee should ask about Fraud and suggested policies - <https://www.gov.uk/guidance/protect-your-charity-from-fraud>
- The National Cyber Security Centre - <https://www.ncsc.gov.uk/news/advice-thwart-devastating-cyber-attacks-small-charities>
- Action Fraud for reporting - <https://www.actionfraud.police.uk/>

Section 5: Sector Update

This area is notoriously fast moving, with new areas of attempted fraud arising daily, but some of the prevalent current frauds and potential controls to protect your charity from these, include:

“Supplier mandate fraud”

Contact is made from a “supplier” employee who is noting (either by phone or official headed notepaper) a change of bank details. The bank details are fraudulent.

Control to mitigate the risk – review and approval of all standing data supplier changes and calls to confirm BEFORE updates processed.

“Batch supplier duplication”

An example of an internal fraud – the details of a supplier are duplicated onto the system and the duplicate given the fraudulent parties bank details. “Real invoices” are paid twice, hidden in the batch run, once real and once fraudulent.

Controls to mitigate the risk – Approval of new suppliers and monthly management accounts reviews. The additional payment debit will need to be either to a balance sheet code or will be seen through an inflated expense code on the SOFA.

“Fraudulent staff/temp staff costs”

The fraudulent party continues to pay staff after they have left (using updated fraudulent bank details), enrolls ghost employees for payment or processes fake invoices through “busy” nominal codes such as temp staff costs.

Controls to mitigate the risk - This fraud is almost always discovered through a review of management accounts vs budgets. Preventive controls would include approval of staff detail changes and “lock down” on leavers details in a timely fashion.

“Email takeover”

An internet based fraud that is expanding rapidly (and becoming more sophisticated). The finance team receive an email “from” the FD/CEO usually late afternoon, indicating they have forgotten to pay a key supplier and it should be paid immediately.

The email is fraudulent and so are the bank details given.

Controls to mitigate the risk – Communication by phone or face to face to confirm details. Do not allow payments to supplier details that do not match those saved on the standing data.

Section 5: Sector Update

Trustee Disqualifications

The Charities (Protection and Social Investments) Act 2016 received Royal Assent back in March of that year. This Included a number of provisions which have been implemented over the past 18 months (raising standards in fundraising, for example). One of the most written about and extensive provisions, relating to automatic disqualification of Trustees and Senior Managers, is applicable from 1 August 2018.

Whilst the sector, via the Charity Commission, already had disqualification provisions, these new requirements are far more extensive in nature and could have significant potential ramifications for your Charity:

- Those individuals who have **unspent** convictions for offences of dishonesty or deception, declared bankrupt or disqualified from being a company director are already automatically disqualified as charity trustees
- A new wide range of unspent convictions will be added to this automatic disqualification, including:
 - terrorism, money laundering and bribery
 - perverting the course of justice
 - breaching Charity Commission orders relating to finances or property
 - attempting, aiding or abetting any of the above offences.

- The provisions extend all of the above unspent convictions to not only trustees, but also “senior management” – a definition is provided in the Act which outlines those employees who are management and/or have control over money. Almost definitely, your Charity CEO and Finance Director (or equivalent) will meet the definition.

The systems and controls in place to check Trustees are eligible (both for new appointments and, now given the new requirements, those already in post) will need to be reviewed and updated. Charities can make use of official registers which record the names of people who are disqualified from acting as charity trustees. These include:

- *The Individual Insolvency Register* maintained by the Insolvency Service. <https://www.gov.uk/search-bankruptcy-insolvency-register>, which contains details of:
 - bankruptcies that are either current or have ended in the last 3 months
 - current individual voluntary arrangements and fast track voluntary arrangements
 - current bankruptcy restriction orders and undertakings
 - Searches of the Register can be made on the [Insolvency Service website](#), by visiting your local Official Receiver’s office, or by post or fax.

Section 5: Sector Update

- *The register of disqualified directors maintained by Companies House, <https://www.gov.uk/government/organisations/companies-house>. Searches of the register can be made on the [Companies House website](#).*

- *The [register of all persons who have been removed as a charity trustee](#). <http://apps.charitycommission.gov.uk/trusteeregister/search.aspx> either by the commission or by an Order of the High Court since 1 February 1993.*

Those affected may also be able to apply for an advanced waiver from the Charity Commission (the service opened from February 2018 and must be applied for by the individual, rather than the Charity on their behalf) through <https://www.gov.uk/guidance/automatic-disqualification-rules-for-charity-trustees-and-charity-senior-positions#apply-waiver>

Further information can be found at <https://www.gov.uk/guidance/automatic-disqualification-rules-for-charity-trustees-and-charity-senior-positions>

Appendix 1: Corrected Misstatements and Reclassifications

	Balance Sheet		Profit and loss account		Effect on Net Surplus
	Dr	Cr	Dr	Cr	
Draft net surplus					272,335
Donations and / or Voluntary Funds				104,290	104,290
Finance & Admin - Salaries			104,290		- 104,290
<i>Being adjustment for donated salaries</i>					
GAG Clawback			19,687		- 19,687
GAG abatement creditor		19,687			
<i>Being UTC PNA clawback</i>					
Accruals		9,397	9,397		- 9,397
Electricity					
<i>Being accrual for electricity</i>					
Intra-Company		220,953			
Intra-Company	220,953				
<i>Being correction to central recharge postings</i>					
Pupil Premium				56,412	56,412
Prepayments	56,412				
<i>Being pupil premium adjustment</i>					
Pupil Premium				10,986	10,986
Other Govt Grants: Excluding Capital			10,986		- 10,986
<i>Being pupil premium adjustment for Q1 not posted</i>					

Appendix 1: Corrected Misstatements and Reclassifications

	Balance Sheet		Profit and loss account		Effect on Net Surplus	
	Dr	Cr	Dr	Cr		
Donations and / or Voluntary Funds			12,642		-	12,642
Finance & Admin - Salaries				12,642		12,642
Being adjustment to donated salary						
Pupil Premium			37,088		-	37,088
Advertising			190		-	190
Write Offs				85,830		85,830
Insurance			250		-	250
Rates			36,385		-	36,385
Equipment (Not IT)			1,993		-	1,993
IT Support Services			9,924		-	9,924
Being correction of PY prepayment reversals						
Prepayments	37,406					
Rates				37,406		37,406
Being prepayment of rates						
Other GAG				83,680		83,680
UTC Expenditure			83,680		-	83,680
IT Equipment at Cost		401,670				
IT Equipment Accum Dep'n	156,133					
Restricted Funds - Other		15,390				
Restricted Funds - Fixed Asset	504,214					
Furniture & Equipment at Cost		769,411				
Schedule 21 Expenditure			181,742		-	181,742
Furniture & Equipment Accum Dep'n	159,904					
Land & Buildings Accum Dep'n	184,526					
Intra-Company		17				
Being correction to year end reserves						

Appendix 1: Corrected Misstatements and Reclassifications

	Balance Sheet		Profit and loss account		Effect on Net Surplus
	Dr	Cr	Dr	Cr	
Equipment (Not IT)				9,711	9,711
Purchase Ledger Control	9,711				
Being reversal of duplicate invoices Scientific Lab supplies					
Accruals		110,066			
Electricity			110,066		- 110,066
Being accrual for academy hot water supply					
Central services Cost			220,953		- 220,953
Head Office Recharge Income				220,953	220,953
Being central recharge costs					
Catering Food/Drink			10,424		- 10,424
Catering Maintenance & Repairs			494		- 494
Books			13		- 13
Audit Costs			1,170		- 1,170
UTC Expenditure			869		- 869
Advertising			1,572		- 1,572
Professional Services - Non Educational			6,527		- 6,527
General Office Costs			232		- 232
Hospitality			1,711		- 1,711
Building Projects/Maintenance			4,773		- 4,773
Cleaning Contract			5,105		- 5,105
Water/Sewerage Charges			660		- 660
Gas			83		- 83
Equipment (Not IT)			18,081		- 18,081
Agency Supply Cover - Support			7,521		- 7,521
Telephone Costs			469		- 469
Purchase Ledger Control		59,704			
Being correction to Aged Creditors					

Appendix 1: Corrected Misstatements and Reclassifications

	Balance Sheet		Profit and loss account		Effect on Net Surplus
	Dr	Cr	Dr	Cr	
Catering Maintenance & Repairs				234	234
Books				13	13
Audit Costs				1,170	1,170
UTC Expenditure				869	869
Advertising				1,572	1,572
Professional Services - Non Educational				6,527	6,527
General Office Costs				232	232
Hospitality				1,711	1,711
Building Projects/Maintenance				4,773	4,773
Cleaning Contract				5,105	5,105
Water/Sewerage Charges				660	660
Gas				83	83
Equipment (Not IT)				9,041	9,041
Agency Supply Cover - Support				7,521	7,521
Telephone Costs				469	469
Purchase Ledger Control	39,980				
Being correction to Aged Creditors (2) - Removal of Dummy Invoice					
Start Up Grant Part A				182,500	182,500
Other EFA Grants: Excluding Capital			182,500		- 182,500
Being reallocation of start up grant					
Pre-16 School Budget Share			176,601		- 176,601
GAG Clawback				176,601	176,601
Being net off of income					
16-19 School Budget Share				11,260	11,260
Pre-16 School Budget Share				3,740	3,740
Insurance			15,000		- 15,000
Being reallocation of RPA					

Appendix 1: Corrected Misstatements and Reclassifications

	Balance Sheet		Profit and loss account		Effect on Net Surplus
	Dr	Cr	Dr	Cr	
IT Equipment at Cost	401,671				
IT Equipment Accum Dep'n		156,133			
Furniture & Equipment at Cost	769,411				
UTC Expenditure				989,370	989,370
Schedule 21 Expenditure				181,743	181,743
Furniture & Equipment Accum Dep'n		159,904			
Land & Buildings Depreciation			274,100		- 274,100
Furniture & Equipment Depreciation			159,904		- 159,904
IT Equipment Depreciation			66,559		- 66,559
Land & Buildings Accum Dep'n		184,526			
Being capitalisation of grant expenditure					
Rates Relief				106,875	106,875
Rates			106,875		- 106,875
Being adjustment for rates relief					
Finance & Admin - Supn			64,000		- 64,000
LGPS Pension Deficit		18,000			
finance cost LGPS			1,000		- 1,000
actuarial movement on LGPS				47,000	47,000
Being year end LGPS pension					
Capital grant				164,995	164,995
Prepayments	164,995				
Accruals		103,020			
Furniture & Equipment at Cost	103,020				
Being accrual for capital grant and associated assets					-
Central services Cost				289,565	289,565
Head Office Recharge Income			289,565		- 289,565
Being elimination of group balances					

Appendix 1: Corrected Misstatements and Reclassifications

	Balance Sheet		Profit and loss account		Effect on Net Surplus
	Dr	Cr	Dr	Cr	
16-19 School Budget Share				12,500	12,500
Other GAG			12,500		- 12,500
Being reallocation of GAG					
16-19 School Budget Share			6,691		- 6,691
Yr 7 catch up				6,691	6,691
Being reallocation of yr 7 catch up					
Other GAG				1,075,024	1,075,024
UTC Expenditure			1,075,024		- 1,075,024
Being reallocation of capital grant from ACA to UTC					
Final surplus					852,793

Appendix 2: Uncorrected Misstatements and Reclassifications

	Balance Sheet		SOFA		Effect on Net Surplus
	Dr	Cr	Dr	Cr	
Prepayments	3,850				
Professional services				3,850	3,850
<i>Being prepayment of community services speech therapy invoice</i>					
Prepayments	6,412				
Computer running costs				6,412	6,412
<i>Being prepayment of annual fibre fee</i>					
Fixed asset costs		14,784			
Expenditure			14,784		(14,784)
<i>Being duplicated posting of fixed asset invoice</i>					
Bank current account		4,289			
Purchase ledger control account	2,271				
Deferred Income		2,140			
Bank interest				81	81
General office costs			2,955		(2,955)
Bank charges			33		(33)
Other income			1,251		(1,251)
<i>Being adjustments to correct bank reconciliations</i>					
PAYE control	2,371				
Payroll costs				2,371	2,371
<i>Being reconciliation of year end PAYE creditor</i>					
Total effect on net surplus as a result of uncorrected misstatements					(6,308)

Appendix 3: Other Matters

Engagement & Independence

Our engagement objective was the audit of the South Bank Academies.

We have implemented policies and procedures to meet the requirements of the Financial Reporting Council's (FRC) Ethical Standards. To this end we considered our independence and objectivity in respect of the audit for the period under review before commencing planning our audit and communicated with you on these matters in our pre-audit letter dated 9 June 2017.

No other matters have come to our attention during the audit which we are required to communicate to you and the safeguards adopted were as described in our pre-audit letter.

Qualitative aspects of accounting practices, accounting policies and financial reporting

Based on our audit work performed, we believe that the Strategic Report, Trustee's Report and financial statements for the period under review comply with United Kingdom Accounting Standards and the Companies Act 2006.

During the course of our audit of the financial statements for the period under review we did not identify any inappropriate accounting policies or practices.

Matters specifically required by other Auditing Standards to be communicated to those charged with governance

Other than as already explained in our Engagement Letter, Pre-Audit Letter and this Post-Audit Management Report, there are no other specific matters to communicate as a result of our audit of the financial statements under review.

	CONFIDENTIAL
Paper title:	FMI Structure and leadership team
Board/Committee:	Audit Committee
Date of meeting:	05 February 2019
Author(s):	Richard Flatman, Group CFO
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For information
Recommendation:	The Committee is requested to note the report

Executive Summary

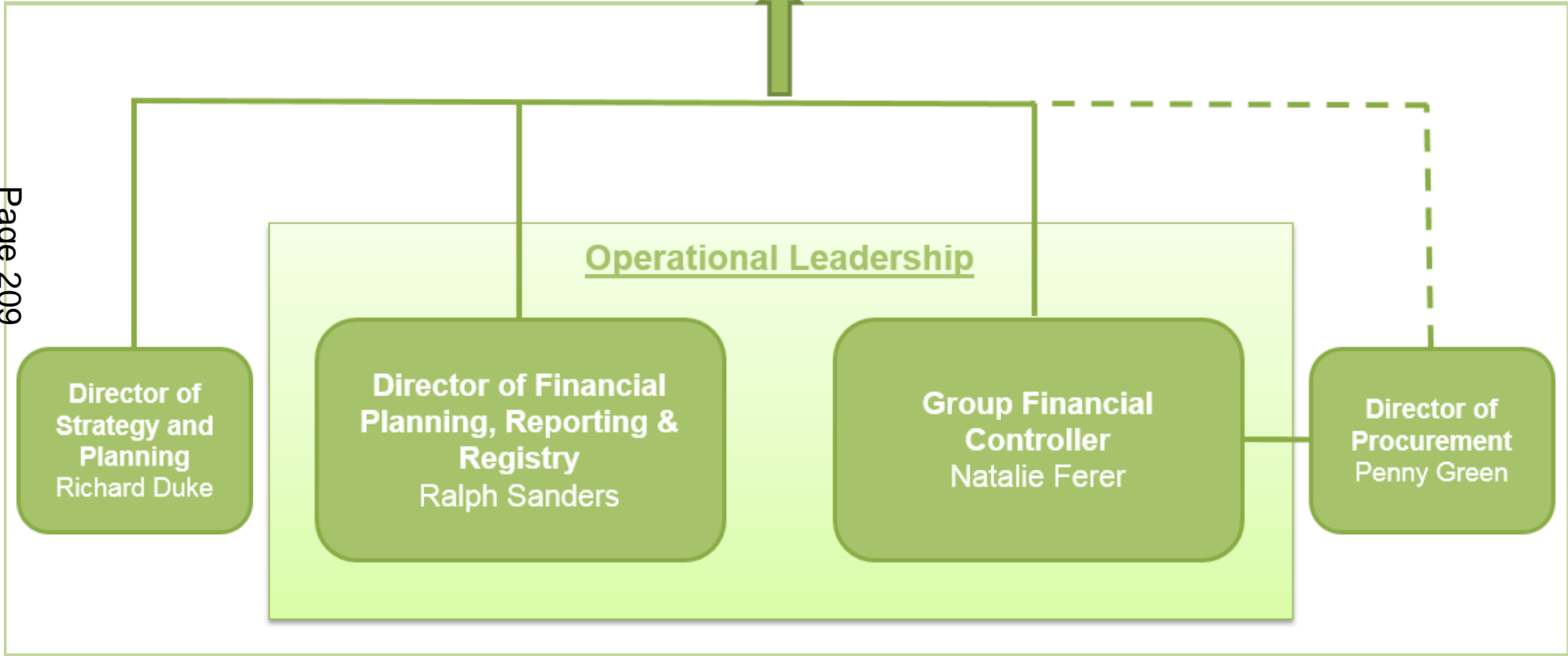
Please find attached the new leadership and management structure of FMI, highlighting the key changes from the previous structure.

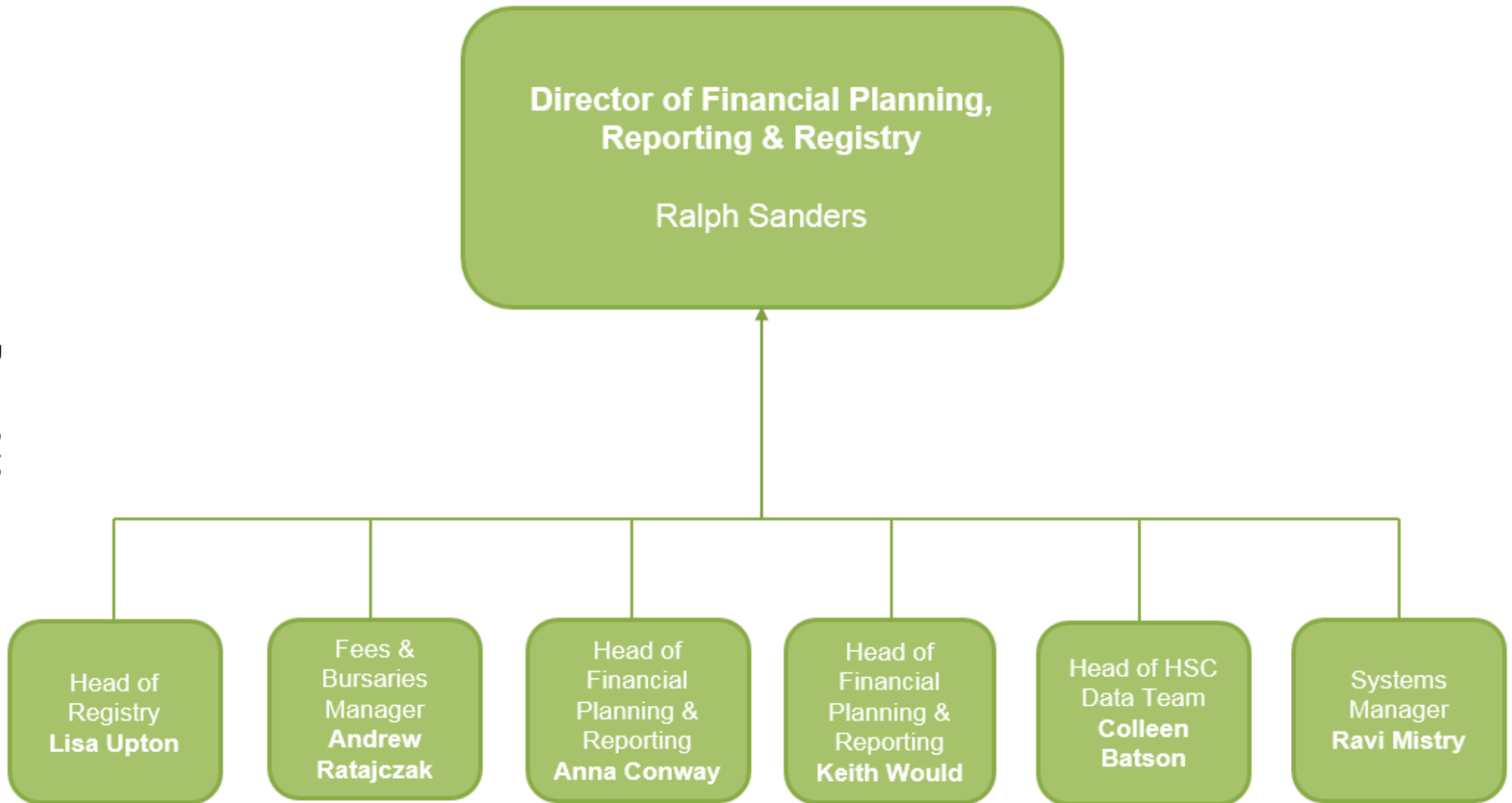
The changes, including to the operational leadership of FMI, have been made to respond to the recent changes to the role of the Group CFO, effective 1 December 2018.

A verbal update as required will be provided in the meeting.

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Group CFO
Richard Flatman





Group Financial Controller

Natalie Ferer

Head of Payroll
& Pensions
Joe McGarrity

Head of
Financial
Accounting
**Sally Black /
Rebecca
Warren**

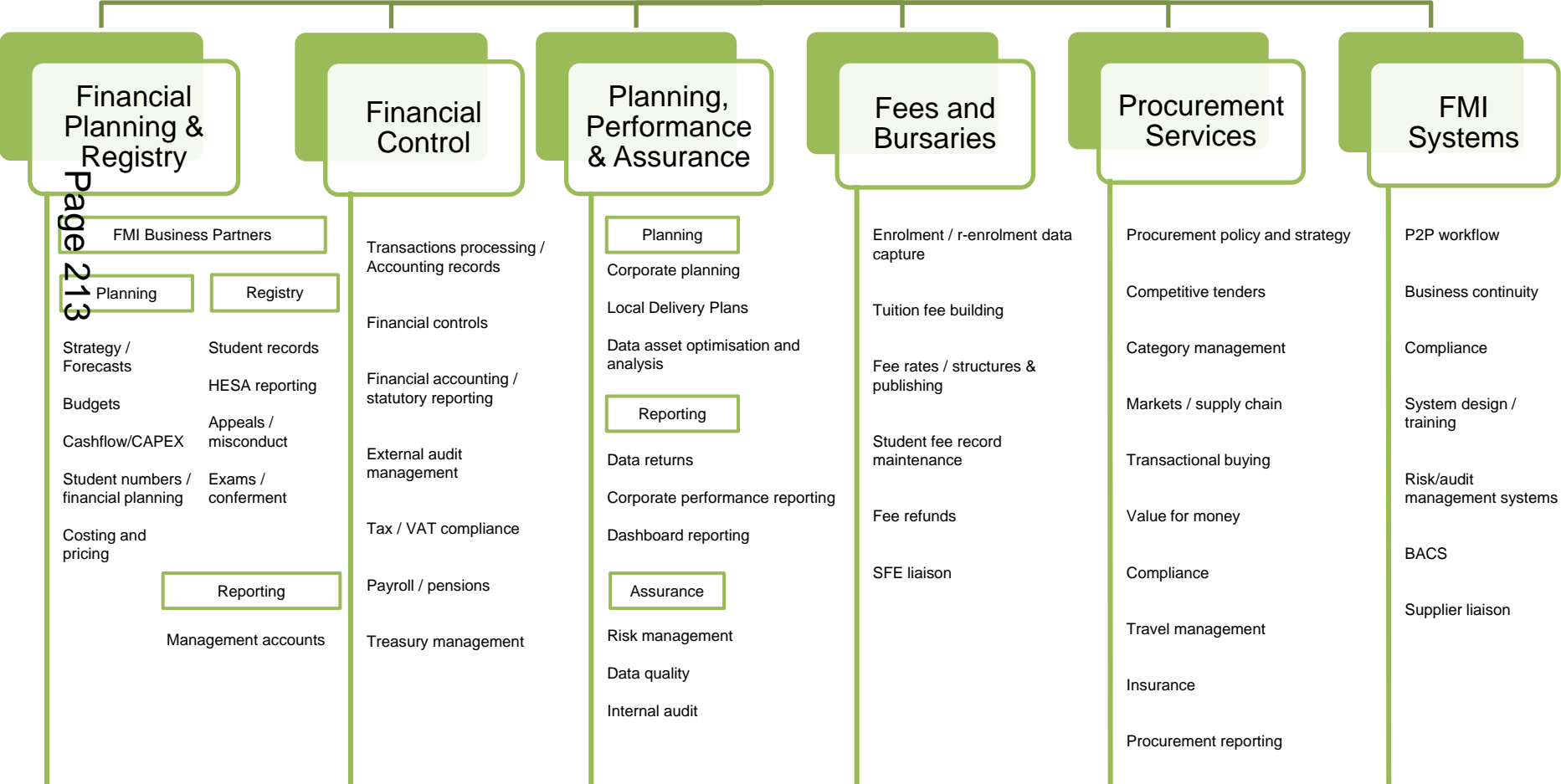
Head of
Financial
Processing
Julian Rigby

Payments
Manager
**Brian
Wiltshire**

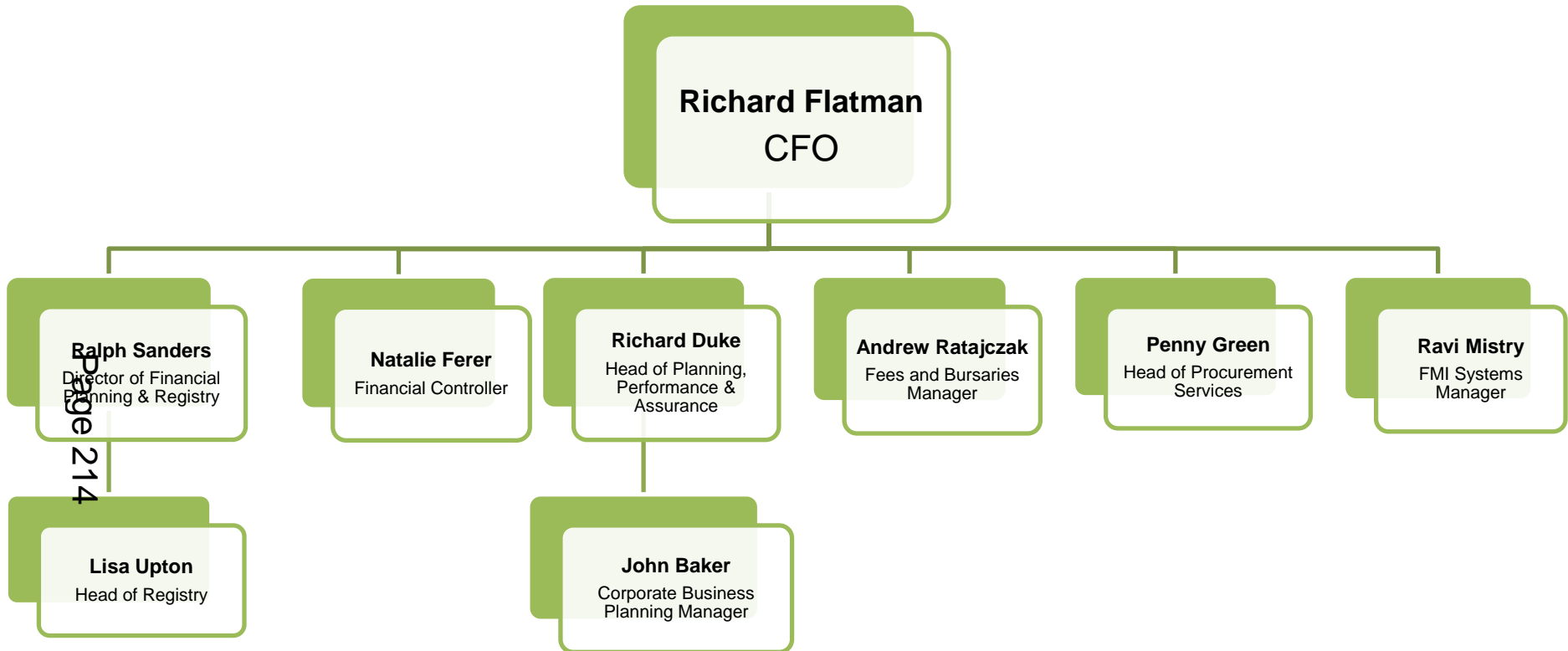
Director of
Procurement
Penny Green

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CFO



Finance and Management Information
Management Team



Richard Flatman
CFO

Ralph Sanders
Director of Financial Planning & Registry

Natalie Ferer
Financial Controller

Richard Duke
Head of Planning, Performance & Assurance

Andrew Ratajczak
Fees and Bursaries Manager

Penny Green
Head of Procurement Services

Ravi Mistry
FMI Systems Manager

Lisa Upton
Head of Registry

John Baker
Corporate Business Planning Manager

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FINAL

	CONFIDENTIAL
Paper title:	GDPR Compliance Update
Board/Committee:	Audit Committee
Date of meeting:	05 February 2019
Author(s):	Hywel Williams, Data Protection Officer
Sponsor(s):	James Stevenson, University Secretary
Purpose:	To update on compliance steps
Recommendation:	The committee is requested to note

As the committee is aware, the EU General Data Protection Regulation and new Data Protection Act 2018 came into effect on 25th May 2018.

The GDPR compliance project board has been addressing compliance at LSBU. The next meeting in March 2019 will provide oversight of:

- the final action plan (the latest draft was noted by the Executive in December 2018);
- a position paper on the relationships of different entities in the Group for data protection purposes and how these should be effected through data sharing agreements; and
- recommendations for the future operating model in terms of reporting and oversight, use of various roles (e.g. data stewards, data managers), and collaborative working (e.g. 'champions').

Update on work since last report

1. Further work has been done on the draft data protection action plan and the prioritisation of actions following consultation with IT and Procurement. A draft of the action plan was noted by the Executive in December 2018. Further stakeholder meetings are planned for the next month. The action plan will need to be continuously reviewed as part of business as usual. A record of any actions which LSBU has committed to taking in responding to the ICO regarding complaints and breaches is also maintained.

FINAL

2. Work has started on “privacy by design” actions. The DPO is working with procurement to implement privacy by design approaches in the procurement workflow, this includes updates to the Financial Regulations, guidance to contract managers and suppliers, compliance questionnaires and integration of Data Protection Threshold/Impact Assessments into the procurement workflow. An end-to-end process for Data Protection Impact Assessments is intended to be in place by April 2019 to support the LEAP programme.
3. The data classification scheme is currently drafted and an updated ICT Security training module is almost ready for implementation. A new refresher data protection course has also been reviewed and is currently pending implementation.
4. Work to update privacy statements on personal data gathering forms and giving just-in-time data protection information continues as needed.
5. Discussions are currently underway with our Internal Audit providers to carry out a joint data protection and ICT Security audit. The outcome of the audit will be reported to the Audit Committee in June 2019.

Focus will continue on the following activities in the next 6 months:

- further developing a relationship with data protection representatives from each of the Group’s entities;
- embedding Privacy by Design across the organisation (working with Procurement and IT);
- continuing tailored workshops with schools and PSGs to aid compliance; data protection input into the LEAP programme;
- review key ongoing data protection risks and incorporate into wider risk management framework;
- ongoing communications and awareness plan.

Breaches

6. In the GDPR update of November 2018, it was noted that there had been one breach judged to be notifiable to the ICO since the October 2018 update. There has been no communication from the ICO regarding this breach. No breaches since have been judged as notifiable to the ICO.
7. As part of our process for managing breaches of personal data, all breaches are to be reported to the Data Protection and Information Compliance Officer. This is regardless of severity of the incident or the level of risk posed. All reported incidents (whether breaches or not) are

recorded. As part of the breach management process, the DPO, in consultation with the area responsible for the breach, the University Solicitors and the University Secretary will decide whether or not the ICO must be notified. The decision is based on criteria set out by the ICO and the European Data Protection Board as captured in the breach log and supported by a decision matrix.

8. While there was a breach reporting process in place prior to June 2018, a revised process with greater structure and a raised awareness due to GDPR coming into force means that breach numbers being reported has increased. This is an expected outcome of improved processes and greater awareness. Awareness will continue to increase over the next year or so as further training, guidance and communications are rolled out. We would therefore expect the number of breaches being reported to increase, the majority of which would be low level and low risk.
9. At the same time recording and tracking trends of reported breaches will support targeted interventions to treat root causes in order to avert breaches occurring in the first place as well as minimise the impacts of breaches.
10. In 2018, 34 breaches of personal data were recorded, three of which were judged to be notifiable to the ICO:

Breach #	Month of breach / awareness	Summary	ICO Response
BR 1809	June 2018	An error in a third party data feed affected data held on postgraduate applicants. There was no disclosure but applicants' temporary access to systems was affected. A data cleaning operation was conducted on the affected data.	No action to be taken.
BR 1811	June 2018	Third party data processor based in Spain reported an incursion onto their systems. The University was one of many organisations world-wide affected by this breach. The affected individuals most at risk were notified and support offered.	No response (Spanish supervisory authority was the lead on this breach)

FINAL

BR 1824	October 2018	Coding error in an admissions system meant uploaded documents were potentially randomly accessible to other applicants. The system was taken down, fixed and tested. Other than the reporting individual we have no other evidence of disclosure.	No response
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Recommendation

The audit committee is requested to note the update.

	INTERNAL
Paper title:	Anti-fraud, bribery and corruption report
Board/Committee:	Audit Committee
Date of meeting:	05 February 2019
Author(s):	Natalie Ferer, Financial Controller
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note this report

Executive Summary

Since the last report there is nothing to report.

The Committee is requested to note this report.

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	CONFIDENTIAL
Paper title:	Speak up report
Board/Committee:	Audit Committee
Date of meeting:	05 February 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	Audit Committee is requested to note the report

Executive Summary

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

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	CONFIDENTIAL
Paper title:	Audit Committee annual business plan
Board/Committee:	Audit Committee
Date of meeting:	05 February 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	Audit Committee is requested to note the plan.

Executive Summary

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

The Committee is requested to note the plan.

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Audit Committee plan 2018 / 19

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
NOVEMBER					
External audit findings	Executive Audit Committee	31 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Richard Flatman
Audit Committee Annual Report	Executive Audit Committee	19 Sep 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Richard Flatman
Anti-fraud, bribery and corruption report			Audit Committee	8 Nov 2018	Richard Flatman
Annual report and accounts	Executive Audit Committee	24 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Richard Flatman
Corporate Risk	Executive Audit Committee	24 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Richard Flatman
Going concern statement	Executive	24 Oct 2018	Audit Committee	8 Nov 2018	Richard Flatman
Quality assurance return	Executive Academic Board Audit Committee	24 Oct 2018 31 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Richard Flatman
Modern slavery act statement	Executive Audit Committee	24 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Richard Flatman
Prevent annual return	Executive Audit Committee	24 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Ian Mehtens
External audit - review of non-audit services	Executive	17 Oct 2018	Audit Committee	8 Nov 2018	Richard Flatman

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
External audit performance against KPIs	Executive	17 Oct 2018	Audit Committee	8 Nov 2018	Richard Flatman
Final internal audit annual report	Executive	17 Oct 2018	Audit Committee	8 Nov 2018	Richard Flatman
Speak up report			Audit Committee	8 Nov 2018	James Stevenson
External audit letter of rep	Executive Audit Committee	12 Sep 2018 4 Oct 2018	Board of Governors	19 Sep 2018	Richard Flatman
Internal audit progress report	Executive	24 Oct 2018	Audit Committee	8 Nov 2018	Justin Martin
Audit committee business plan			Audit Committee	8 Nov 2018	James Stevenson
FEBRUARY					
Anti-fraud, bribery and corruption report			Audit Committee	5 Feb 2019	Richard Flatman
Data assurance report	Executive	16 Jan 2019	Audit Committee	5 Feb 2019	Richard Flatman
Corporate Risk	Executive Audit Committee	16 Jan 2019 5 Feb 2019	Board of Governors	14 Mar 2019	Richard Flatman
FMI Structure and leadership team	Executive	16 Jan 2019	Audit Committee	5 Feb 2019	Richard Flatman
TRAC return	Executive	16 Jan 2019	Audit Committee	5 Feb 2019	Richard Flatman
Speak up report			Audit Committee	5 Feb 2019	James Stevenson

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
GDPR compliance update	Executive	23 Jan 2019	Audit Committee	5 Feb 2019	James Stevenson
Internal audit progress report	Executive	23 Jan 2019	Audit Committee	5 Feb 2019	Justin Martin
Audit committee business plan			Audit Committee	5 Feb 2019	James Stevenson
JUNE					
Anti-fraud, bribery and corruption report			Audit Committee	13 Jun 2019	Richard Flatman
Annual debt write-off	Executive	22 May 2019	Audit Committee	13 Jun 2019	Richard Flatman
Emergency plan annual assurance	Executive	22 May 2019	Audit Committee	13 Jun 2019	Ian Mehrtens
Anti-fraud policy review	Executive	22 May 2019	Audit Committee	13 Jun 2019	James Stevenson
Internal audit plan	Executive	22 May 2019	Audit Committee	13 Jun 2019	Richard Flatman
External audit plan	Executive	22 May 2019	Audit Committee	13 Jun 2019	Richard Flatman
TRAC (T) return			Audit Committee	13 Jun 2019	Richard Flatman
GDPR compliance update	Executive	29 May 2019	Audit Committee	13 Jun 2019	James Stevenson
Audit committee business plan			Audit Committee	13 Jun 2019	James Stevenson
Internal audit progress report	Executive	29 May 2019	Audit Committee	13 Jun 2019	Justin Martin

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
Corporate Risk	Executive Audit Committee	29 May 2019 13 Jun 2019	Board of Governors	18 Jul 2019	Richard Flatman
Speak up report			Audit Committee	13 Jun 2019	James Stevenson