

Meeting of the Audit Committee

4.00* - 6.00 pm on Thursday, 8 November 2018
in 1B16 - Technopark, SE1 6LN

Agenda

* Pre meeting with the Internal Auditors and the External Auditors
at 3.30pm in 1B16, Technopark

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		SB
2.	Declarations of interest		SB
3.	Minutes of the previous meeting	3 - 8	SB
4.	Matters arising	9 - 10	SB
5.	ICT risk diagnostic update	11 - 20	DM
Financial reporting for the year 2017/18			
6.	External audit findings (to review)	21 - 56	FN
7.	Going concern statement (to approve)	57 - 64	RF
8.	Draft letter of representation to KPMG (to recommend to the Board)	65 - 74	RF
9.	Draft annual report and accounts 2017/18 (to recommend to the Board)	75 - 134	RF
10.	Audit Committee annual report (to approve)	135 - 144	JS
11.	Annual review of internal controls	145 - 166	RF
External audit			
12.	External audit performance against KPIs (to review)	167 - 172	RF
13.	External audit - review of non-audit services (to review)	173 - 174	RF
Internal audit			
14.	Internal audit progress report (to note)	175 - 190	JM
15.	Final internal audit annual report (to discuss)	191 - 218	JM
Risk and control			
16.	Corporate Risk	219 - 252	RF

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
Other matters			
17.	Prevent annual return to OfS (to recommend to the Board)	253 - 256	SW
18.	Quality assurance return to OfS (to review)	To Follow	SW
19.	Anti-fraud, bribery and corruption report (to note)	257 - 258	RF
20.	GDPR update (to note)	259 - 262	JS
21.	Modern slavery act statement (to recommend to the Board)	263 - 266	PB
22.	Student Residences UUK audit report (to note)	267 - 278	PI
23.	Speak up report (to note)	279 - 280	JS
24.	OfS annual reporting	281 - 292	JS
25.	Audit committee business plan (to note)	293 - 298	JS
26.	Matters to report to the Board following the meeting		JS

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

- Members:** Steve Balmont (Chair), Shachi Blakemore, Duncan Brown and Mee Ling Ng
- Apologies:** David Phoenix
- In attendance:** Pat Bailey, Michael Broadway, Natalie Ferer, Richard Flatman, Paul Ivey, James Stevenson, Shân Wareing,
- Auditors:** Amy Chiu, Justin Martin, Fleur Nieboer and Jack Stapleton



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**Minutes of the meeting of the Audit Committee
held at 4.00 pm on Thursday, 4 October 2018
1B16 - Technopark, SE1 6LN**

Present

Steve Balmont (Chair)
Duncan Brown (by phone)
Mee Ling Ng

Apologies

Shachi Blakemore
Fleur Nieboer

Observer

Jerry Cope

In attendance

David Phoenix
Richard Flatman
James Stevenson
Natalie Ferer
Joe Kelly
Justin Martin
Lucy Gresswell
Amy Chiu
Jack Stapleton
David Mead (item 5)
Markos Koumaditis (item 8)
Lisa Upton (items 6 & 8)

1. Welcome and apologies

The Chair welcomed members to the meeting. In particular, the Chair welcomed Jerry Cope, Chair of the Board of Governors, who would be observing the meeting. The Chair also welcomed Amy Chiu, a new member of the PwC internal audit team. The Chair thanked Lucy Gresswell (PwC) for her work with LSBU and the Audit Committee.

2. Declarations of interest

All auditors declared an interest in item 11. No other interests were declared on any item on the agenda.

3. **Minutes of the previous meeting**

The committee approved the minutes of the meeting of 7 June 2018, with minor amendments, and their publication.

4. **Matters arising**

No.14 The committee noted the revised Letter of Engagement had been received.

No.17 The committee noted that the spike in written-off debt in 2010/11 had been due to an unusually high level of self-paid fees and associated instalment pay plans.

Minute 7, UKVI: The committee noted there are no ongoing issues and new processes continue to be implemented.

5. **ICT risk diagnostic progress report - update**

The committee requested a review of risks and associated actions and that the paper be returned to the next meeting.

6. **Student Data update**

The committee noted the update from the Head of Registry.

The committee noted that an Ofsted inspection for levels 4 & 5 Apprenticeships was expected in the near future.

The committee requested an update at its next meeting.

7. **Internal audit progress report**

The committee discussed the internal audit progress report from PwC. The 2017/18 programme was complete. Work had begun on the 2018/19 programme.

8. **Internal audit reports**

The committee noted the following internal audit reports:

- Key Financial Systems: good progress agreed
- Student Data (continuous audit)
- IT technical roadmap (to be considered in the context of minute 5)
- HR audit: there were no questions for the Acting Director of HR
- Risk management

9. **Internal audit annual report 2017/18**

The committee discussed the draft internal audit annual report 2017/18. The final report would be considered at the meeting of 8 November 2018.

The auditors agreed to insert wording reflecting the progress made on international partnerships.

The committee noted the draft audit opinion that the “governance, risk management and control, and value for money arrangements were generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control and value for money arrangements which potentially put the achievement of objectives at risk”.

Justin Martin and Lucy Gresswell left the meeting

10. Internal audit charter

The committee noted the internal audit charter which sets out the framework within which the internal audit activity is conducted at LSBU.

The committee noted the audit plan 2018/19 which sets out the priorities and timeline, and includes South Bank Academies Trust.

11. External audit progress report

The committee noted the external auditor’s progress report.

The committee noted that preparations for meeting OfS requirements in respect of senior staff remuneration were in progress.

12. Pensions assumptions

The committee approved the assumptions used for the FRS102/IAS19 pension fund disclosures as at 31 July 2018.

The external auditors confirmed that the assumptions were within the sector benchmark. The committee requested that the assumptions are reviewed prior to the finalisation of the accounts taking account of materiality.

13. Corporate Risk

The committee discussed the corporate risk register ahead of the annual detailed review by the Board.

The committee noted the potential reduction of the student recruitment risk (risk 2), given the positive progress made this year, and the potential increased rating around capital expenditure risk with regard to delivering longer term estate ambitions.

14. **Risk strategy and appetite**

The committee recommended the risk appetite statement to the board for approval. The committee approved the revised risk strategy and operating procedures.

15. **Internal controls annual review of effectiveness**

The committee noted the first draft of the internal controls annual review of effectiveness. A final version will be presented at the committee's next meeting on 8 November 2018.

16. **Audit committee annual report**

The committee noted the first draft of its annual report. The required reference to the Student Loan Company was included. A final version will be presented at the committee's next meeting on 8 November 2018.

17. **Draft corporate governance statement 2017/18**

The committee noted the first draft of the corporate governance statement 2018/18. A final version will be presented at the committee's next meeting on 8 November 2018. Links to source documents will be provided.

18. **Strategic report (AR&A)**

The committee noted the first draft of the strategic report. A final version will be presented at the committee's next meeting on 8 November 2018.

19. **Draft public benefit statement 2017/18**

The committee approved the draft public benefit statement, as required for all charities, subject to necessary amendments.

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

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

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

21. **GDPR compliance update**

The committee noted the GDPR compliance report.

The committee requested the GDPR report to be a standing item.

22. **Speak up report**

The committee noted that no Speak Up matters were reported.

23. Audit committee business plan

The committee noted the Audit Committee business plan, to be adapted as entities join the Group.

24. Audit Committee TOR & membership

The committee noted the Audit Committee terms of reference and membership.

The committee noted Steve Balmont would step down as Chair of the committee on 31 December 2018 (but continuing as a member) and Duncan Brown would become Chair of the committee as of 1 January 2019.

The committee noted the need for additional members and requested a skills matrix of required skills and experience.

The committee noted that a review of the terms of reference would take place once Group operations were formally in place.

25. Internal audit tender

The auditors left the meeting

The committee discussed the internal audit tender.

The committee requested management to review the weighting given to price, and that the process supports clarifying the quality of service to be provided and the staff who would be assigned to the contract.

The committee noted the executive should actively manage any conflicts of interest between PwC's role as internal auditor (until July 2019), and its role as LEAP partner.

26. Matters to report to the Board following the meeting

Matters were agreed with the Chair.

**Date of next meeting
4.00 pm, on Thursday, 8 November 2018**

Confirmed as a true record

..... (Chair)

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AUDIT COMMITTEE - THURSDAY, 4 OCTOBER 2018
ACTION SHEET

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
5.	ICT risk diagnostic progress report - update	ICT risk diagnostic progress report - update to next meeting		David Mead	On agenda
6.	Student Data update	Apprenticeships Ofsted update		Shan Wareing	On agenda (verbal update)

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	INTERNAL
Paper title:	ICT PwC Risk Diagnostic
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	David Mead, ARR Director
Sponsor(s):	Shan Wareing, Chief Operating Officer and DVC (Education)
Purpose:	For Information
Recommendation:	The Committee is asked to acknowledge the progress made in the action plan relating to the PwC ICT Risk Diagnostic.

Executive Summary

In June 2017 the ICT Management team commissioned auditors PwC to carry out a risk diagnostic of ICT Operations. The PwC report, attached, scores LSBU ICT risks based on evidence shown at the time of the diagnostic. The scoring is benchmarked with other organisations from Education, Utilities, Local Government, Professional Services, Telecommunications, Construction, Transportation, Information Technology, Leisure and Media.

The diagnosis looked at 7 areas and provided an overall risk score for each:

Area	Overall level of risk
IT Strategic decision making	Medium
IT Governance	High
IT Management	Low
System Quality	Medium
System Support & Change	High
IT Operations	High
Information Security	Medium

1. Action Plan and Governance

1.1. The diagnostic has provided a good baseline for us to review where we are focusing our resources. An action plan and the progress made against it was presented to the Audit Committee in February 2018 and a further update was provided in May 2018. This paper provides a further update on the progress against the action plan as at September 2018.

1.2. The delivery of the action plan is being co-ordinated by the internal ICT Senior Management Team meeting. All actions have a completion target date and as of September 2018:

- 17 of the 24 actions were complete.
- 6 of the 24 actions are on target to complete against their timeframe.
- 1 of the 24 actions now have a revised timeframe and these are highlighted in amber on the action plan over the page.

Audit action plan – Owned by LSBU ICT Senior Management Team

Green = on track or complete. **Amber** = revised timescale

Ref	Area	Risk identified	Action	Action status
1	IT Strategic decision making- Medium Risk Area	The lack of defined responsibilities may lead to either delays in decision making or sub-optimal decision making, resulting in IT being unable to deliver on its strategic objectives	Clear defined roles and responsibilities documented across all decision making roles in ICT. Governance Board now operational with terms of reference and attendees agreed- Board chaired by Exec member.	Complete Complete

Ref	Area	Risk identified	Action	Action status
2	IT Strategic decision making- Medium Risk Area	The absence of mapped interdependencies across people, processes and technology increases the risk that an issue with/or change to a particular IT component may adversely affect other systems, which may lead to severe disruption of IT services.	Systems and architecture currently being documented.	To complete by January 19 Note: This is a complex piece of work and therefore January 19 is a realistic completion point to have detailed, quality documentation.
3	IT Strategic decision making- Medium Risk Area	The absence of consistent management information around sustainability may result in inconsistent/inaccurate reporting which could lead to a lack of awareness around the effectiveness of IT sustainability measures.	We are currently migrating to a new datacentre which is due to complete by Jan 19. At that point we will have the complete sustainability dataset required for this action.	To complete by January 19
4	IT Governance- High Risk Area	Responsibilities and accountabilities may not be known and understood across the organisation, resulting in disruption to the University's services in case of an incident.	Document and ensure everyone is clear on their responsibilities and roles.	Complete

Ref	Area	Risk identified	Action	Action status
5	IT Governance-High Risk Area	The absence of effective communication of identified actions from governance forums may lead to a lack of clarity in delivering services. As a result, business needs might not be addressed effectively or in a timely manner.	Bi-monthly meetings have been set up for sharing information as appropriate throughout all of ICT services.	Complete
6	IT Governance-High Risk Area	The absence of up-to-date IT policies increases the risk of ineffective mechanisms for managing information security activities, resulting in security breaches, major outages and /or reputational issues.	Create a complete and up-to-date set of policies.	Complete
7	IT Governance-High Risk Area	Insufficient assessment and monitoring of IT risks can result in inadequate process controls being implemented to mitigate disruption to the IT applications and infrastructure that support the University's services.	A risk and issues log is now integral to the weekly ICT SMT meeting.	Complete
8	IT Governance-High Risk Area	The absence of formalised SLAs may result in a misalignment of expectations between IT and the business, resulting in a degradation of IT service quality.	Develop a complete set of appropriate SLAs.	Complete

Ref	Area	Risk identified	Action	Action status
9	IT Management-Low Risk Area	The absence of a formalised and signed off asset management policy increases the risk that the degree of compliance may deteriorate and inappropriate or incorrect actions may be taken, increasing the likelihood of disruption to services.	Asset management policy signed off at Operations Board.	Complete
10	Systems Quality-Medium Risk Area	The absence of robust BI for all key systems may lead to an inability to produce adequate reporting resulting in ineffective decisions being made by senior management and consequently financial losses or poor business performance.	Commission the development of a complete business information pack for all our key systems.	Complete <i>We now have a complete BI overview of all our systems.</i>
11	Systems Quality-Medium Risk Area	The failure to effectively capture and identify project related risks and to design appropriate mitigating controls in a formalised project risk register increases the risk of financial, operational, regulatory and reputational impact.	Risk registers in place for all projects. Projects are reviewed weekly at the ICT SMT which includes looking at barriers and key risks.	Complete

Ref	Area	Risk identified	Action	Action status
12	Systems Support and Change	The absence of formalised and widely shared lessons learned processes increases the risk of a repeat of issues that could have been prevented.	Major Incident Reports cover lessons learnt. Projects now incorporate lessons learnt report upon closure.	Complete
13	Systems Support and Change – High Risk Area	The existence of skills shortages may lead to knowledge gaps and consequently may result in an inability of IT to support the business resulting in prolonged outages and business disruption.	<p>Workforce plan being developed and staff are attending training courses as identified through appraisal and management meetings.</p> <p>Reducing the amount of technology we have to reduce the knowledge requirement across the service.</p>	<p>To complete in December 2018</p> <p><i>Workforce plan live and training has been taking place as part of a rolling programme. This will continue as we commission new systems and decommission old systems. Additional Apple support has been contracted through a third party.</i></p>
14	Systems Support and Change – High Risk Area	The lack of user education will lead to inefficiencies in the workforce as employees are unsure of the best channels to seek support or they may use systems without the appropriate knowledge. This could result in major outages or a low quality of service.	Digital Skills centre set up to support staff with their skills in using all systems.	Complete

Ref	Area	Risk identified	Action	Action status
15	Systems Support and Change – High Risk Area	The lack of robust end-to-end testing could result in critical issues not being tracked and tested, increasing the likelihood of problems during release and implementation.	New projects include end to end testing requirements as part of the capital scope and are funded accordingly.	Complete
16	Systems Support and Change – High Risk Area	In the absence of up-to-date architectural documentation sub-optimum investment decisions may be made where they contradict or do not enhance existing IT systems and processes.	Work has been commissioned to document the systems and architecture.	To complete Jan 2019
17	Systems Support and Change – High Risk Area	The absence of access controls mechanisms and processes regarding developer access to the production environment may lead to unapproved changes being implemented resulting in significant business disruption and financial or reputational losses.	Access control mechanisms put in place. Change Advisory Board (CAB) meets weekly and a policy is in place that makes sure all change requests are approved through the board.	Complete

Ref	Area	Risk identified	Action	Action status
18	IT Operations-High Risk Area	The high volume of legacy hardware increases the risk that effective support is not provided for the systems from vendors or staff, which may result in major outages or business disruption.	Hardware replacement is under review and a priority on our technical roadmap. The most significant risk is server hardware and this will be mitigated by the setup of a new data centre. Our campus Network is due to be end of life in 2020 and that is our next major risk to mitigate.	To complete in July 2018 Sept 18 update: We now have the new data centre set up and a migration of existing systems will take place, completing in Jan 19.
19	IT Operations-High Risk Area	The absence of DR/BCP testing increases the risk of an inability to restore services in a timely manner which may result in major outages or business disruption. The current infrastructure makes testing infeasible.	DR plan costed and programmed in for set up over Autumn 18. Regular testing will commence once the new infrastructure is in place, starting from January 19.	To complete in December 2018
20	IT Operations-High Risk Area	The absence of problem management procedures increases the risk that issues will not be mitigated in a timely manner, which may result in continued disruption to IT services.	Problem Management procedure now developed and implemented.	Complete

Ref	Area	Risk identified	Action	Action status
21	Information Security-Medium Risk Area	The absence of an information security team may lead to an unavailability of knowledge/resource and may result in an inability for IT to successfully secure its data.	A new Head of Information Security started August 18. To mitigate the absence of an information security team we have assigned security tasks to various roles across the ICT function that the Head of ICT Security co-ordinates.	Complete
22	Information Security-Medium Risk Area	In the absence of periodic access reviews, access to computing resources may not be revoked in a timely manner upon termination of employment, which increases the risk of malpractice from third parties, leading to potential financial, operational and reputational issues.	We have scoped a role based access control project that is on our technology roadmap as a priority. The outcome of this project will be automated access reviews.	December 18
23	Information Security-Medium Risk Area	The absence of document classification procedures increases the risk that during a document's lifecycle, sensitive information can be exposed to inappropriate personnel leading to reputational, financial, operational and or legal issues.	Training is provided to make staff aware of how to classify and handle sensitive information. This is mandatory and constantly reviewed.	Complete

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Agenda Item 6

	CONFIDENTIAL
Paper title:	External audit findings
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	Natalie Ferer, Financial Controller
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	To present the findings from the audit for the year ending 31 July 2018
Recommendation:	It is recommended that the Committee note and consider the attached audit findings from KPMG.

Executive Summary

The Committee is requested to note main findings and recommendations

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London South Bank University

Report to the Audit Committee

DRAFT

Audit highlights memorandum and management letter for the year ended 31 July 2018

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8 November 2018

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Introduction

To the Audit Committee of London South Bank University

We are pleased to have the opportunity to meet with you on 8 November to discuss the results of our audit of the consolidated financial statements of London South Bank University (the 'University') and its subsidiary (the 'Group'), as at and for the year ended 31 July 2018.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 7 June 2018. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. There have been no significant changes to our audit plan and strategy.

Subject to the Board of Governors' approval, we expect to be in a position to sign our audit opinion on the Group's financial statements on 22 November 2018, provided that the outstanding matters noted on page 5 of this report are satisfactorily resolved.

We expect to issue an unmodified Auditor's Report.

We draw your attention to the important notice on page 4 of this report, which explains:

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

Yours sincerely,

Fleur Nieboer

8 November 2018

How we have delivered audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. Some of the ways in which we drive audit quality are demonstrated throughout our report and include:



**Understanding
the entity**



**Quality
reviews**



**Robust
challenge**

- Understanding the entity – Fleur, Jack and Alex work with a range of audit clients in the higher education sector. We use our knowledge of your operations and the wider sector to adapt our audit approach to focus on key risks.
- We commit to technical excellence and quality service delivery through training, consultation, quality reviews and client feedback.
- We use standard KPMG methodologies and specialists where relevant to review key assumptions, enabling us to provide robust challenge to management.

Subsidiaries

This report also covers South Bank University Enterprises Ltd.

Important notice

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

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



Purpose of this report

This report has been prepared in connection with our audit of the consolidated financial statements of the London South Bank University (the ‘University’) and its subsidiary (the ‘Group’), prepared in accordance with UK Generally Accepted Accounting Practice (including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)) and the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (FEHE SORP), as at and for the year ended 31 July 2018.

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

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

Limitations on work performed

This report is separate from our audit report and does not provide an additional opinion on the University’s financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors reporting to the Board of Governors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this report.

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

Status of our audit

Our audit is not yet complete and matters communicated in this report may change pending signature of our audit report. We will provide an oral update on the status.

Restrictions on distribution

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

Our audit findings

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Significant risks

Page 7-10

Fixed assets	Page 7
Pension liabilities	Page 8
Revenue recognition	Page 9
Management override of controls	Page 10

Accounting judgements related to estimates

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Overall, we are satisfied with the key accounting judgments taken and that, in its discussion of these matters, the section of the annual report describing the work of the Audit Committee appropriately addresses the matters we have communicated to you.

The most significant areas of judgement relate to:

- The determination of appropriate economic lives of fixed assets; and
- The valuation of the Local Government Pension Scheme Assets and Liabilities resulting in a net pension liability for the University.

Outstanding matters

- Substantive audit procedures:
 - Journals
 - Review of going concern
- Management representation letter;
- Final Partner review;
- Final review of all financial statements; and
- Final review and signing of audit report.

Uncorrected audit misstatements

Identified audit adjustments are set out in Appendix 2.

One uncorrected misstatement was identified, this relates to a long term debtor which has been incorrectly classified as short term. This has no impact on the reported result for the year.

Control deficiencies

Identified control deficiencies are set out in Appendix 3. We have identified the following:

- Significant control; 1
- Other control deficiency. 4

A follow up to prior year audit recommendations is included in Appendix 4.

Significant risks – findings at a glance

Significant audit risks	Uncorrected misstatements	Corrected misstatements	Control deficiencies
1 Fixed assets	-	-	-
2 Pension liability – valuation	-	-	-
3 Revenue recognition	-	1	-
4 Management override of controls	-	-	-
Other areas of audit focus			
5 Overall financial position and going concern	-	-	-
6 Use of funds	-	-	-

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We have one corrected misstatement in respect of revenue recognition. This was due to the misclassification of Strategic Health Authority income which had originally been recorded as 'other operating income'. Other corrected and uncorrected misstatements are shown within Appendix 2 of this report. They did not relate to the areas of significant risk or specific audit focus. Similarly, whilst we have not identified any control deficiencies in relation to the significant audit risks or other areas of audit focus we have raised four recommendations, one of which is high priority and relates to a control deficiency on bank reconciliations. These are all detailed within Appendix 3 of this report.

'-' indicates no findings

Significant risks

1 Fixed assets

The risk

At 31 July 2018 the University has £216.9m of fixed assets, £174.8m of which is land and buildings. The University adopted a valuation accounting policy of deemed cost as part of the FRS 102 transition. There are risks around the valuation, depreciation and impairment of the University estate, together with a risk around the treatment of repair and refurbishment costs. The asset valuation and impairment review processes are both estimates and therefore present a higher level of risk to the audit.

The University has a capital plan to refurbish its London Road, Technopark and Perry Library sites and completing the St. George's Quarter development. The plan will take place in three phases, the first of which will result in £80m of capital spend, split across the refurbishment of London Road (£65m) and Project Leap, which is a £15m upgrade and improvement project for transformation of the student journey and implementation of a new student records system.

Our response

To assess the completeness, accuracy, existence and presentation of fixed assets we:

- Vouched the accuracy of any capital additions in the year to supporting documentation;
- Reviewed the controls for fixed asset procurement;
- Reviewed the appropriateness of the useful economic lives for a sample of assets and any impairments identified by the University, and recalculated the depreciation figure as stated in the accounts;
- Reviewed the reconciliation that takes place between the University's fixed asset register and general ledger; and
- Considered the process for capitalising expenditure and reviewed a sample of capitalised assets to assess whether they have been appropriately capitalised (specifically focussing on the St George's Quarter development).

Our findings

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

We concluded that controls for fixed asset procurement had been effectively designed.

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

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

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

Significant risks (cont.)

2 Pension liabilities

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The risk

LSBU participates in three multi-employer defined benefit pension schemes – the Teachers' Pension Scheme (TPS); London Pension Fund Authority (LPFA) scheme; and the Universities Superannuation scheme (USS). The total value of the LPFA pension deficit in 2016/17 was £113.8m.

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

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

Our response

We performed the following procedures:

- Evaluated the competency, objectivity and independence of the LGPS actuaries to confirm their qualifications and the basis for their calculations;
- Reviewed the appropriateness of the key assumptions made by, and validated the methodology used by, the Scheme actuaries with the use of a KPMG Actuary;
- Reviewed the actuarial valuation and considered the disclosure implications in the financial statements; and
- Considered the split of pension fund assets allocated to the University and the impact on the net pension figure.

Our findings

We have included our high level assessment of key judgements on page 15.

The key assumptions used are within KPMG's benchmark range, although we would consider the assumptions to be cautious.

There were no issues identified.

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

Significant risks (cont.)

3 Revenue recognition^(a)

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The risk

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

Tuition fee and education contract income

There is a risk of fraud and error associated with the recognition of tuition fee and education contract income, which represents approximately three quarters of total income. In particular, this includes income and cash recognition for flexible provision (for example on-line/distance learning courses), and courses that run across the year end.

Our response

We considered the extent to which the University's finance/student records/planning functions are integrated to ensure complete and timely data and information in areas such as:

- Drop-out, fee and bursary information; and
- The position with SLC balances

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

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

Our findings

- We used data and analytics to recalculate the level of tuition fee charged to students, and found that the balance was materially accurate. Further information on the results of this testing is included on the following slide.
- We found that health contracts had been appropriately accounted for and split across the year end.
- We found that research grant income has been appropriately recognised.
- We performed cut-off testing for specific items from the July and August 2018 bank statements and identified no cut-off issues.

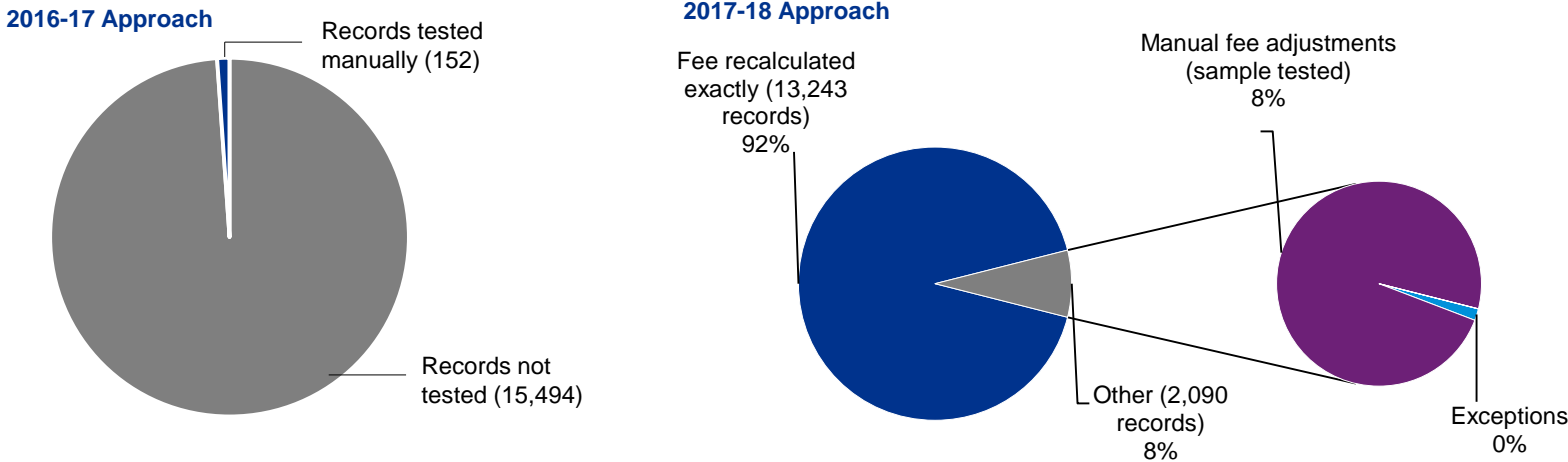
Note: (a) Significant risk that professional standards require us to assess in all cases

Significant risks (cont.)

3 Revenue recognition (cont.)^(a)

In response to requirements from our regulator we have taken a different approach to auditing the University’s tuition fee revenue balance in 2017-18 through the use of data and analytics. This enables us to analyse the population of tuition fees raised through the University’s student record system QLS.

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This revised approach gives us a far greater level of assurance than we could obtain through sampling, increasing the percentage of records tested from 1% to 86%. We have been able to recalculate all of these transactions on a line by line basis and found that each charge had been appropriately calculated, meaning we can provide assurance that the tuition fee balance is materially accurately stated.

It also tells us that:

- 8% of students require manual intervention to ensure that they are charged the correct fee. We will be able to monitor the level of manual intervention going forwards to assess the relative efficiency of the process year on year;
- We have found some examples of data quality improvements that could be made (e.g. 24 fees not matching between the QLS student record system and the QLX fee invoicing system) which do not have a material effect on the financial statements but have been passed to management for further investigation.

Significant risks (cont.)

4 Management override of controls^(a)

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The risk

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

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

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

Our response

Our audit methodology incorporates the risk of management override as a default significant risk.

In line with our methodology, we tested the design & implementation of controls over journal entries and post closing adjustments.

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

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

We reviewed the appropriateness of the accounting for significant transactions that are outside the University's normal course of business, or are otherwise unusual.

Our findings

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

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

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

Note: (a) Significant risk that professional standards require us to assess in all cases

Other areas of focus

5 Overall financial position and going concern

The area of focus

The University's budget for 2017-18 indicated that the University was forecasting a surplus of £1.5 million for the year-ending 31 July 2018.

Despite shortfalls in full time undergraduate student recruitment against target, management are still forecast to achieve their budgeted surplus due to increases in overseas student recruitment and reductions in staff costs.

Notwithstanding these variances, the University continues to maintain healthy cash reserves and continues to monitor their working capital requirements based on their development and organisational needs.

Our response

- We reviewed the University's overall financial position at the year-end as part of our review of the financial statements. Specifically, we considered the University's final outturn compared to the month 6 forecast position, with particular reference to income recognition, the continued impact of the new fees and funding regime, and the performance of the University's commercial activities.
- We reviewed management's going concern assessment.
- We reviewed the financial forecasts and student recruitment information for 2018/19.

Our findings

- *Our review of management's assessment of going concern yet to be completed.*

Other areas of focus (cont.)

6 Use of funds

The area of focus

As in previous years, we are required to issue an opinion on the University's use of HEFCE and other funds in line with the Memorandum of Assurance and Accountability and audit code of practice.

Our response

Our audit of use of funds is conducted in accordance with Practice Note 10 (revised): Audit of financial statements of public sector entities in the United Kingdom, issued by the Auditing Practices Board. Our approach to completing the audit of the use of funds is to obtain a sufficient understanding of the framework under which the University operates, and to test compliance. In particular, this means gaining assurance that income and expenditure transactions are in accordance with appropriate authorities, including those of HEFCE and the Office for Students, and that the accounting presentation and disclosure conforms to applicable statutory and other requirements.

We have developed a regularity programme to ensure compliance with HEFCE and OfS requirements and, in addition, our testing of controls and substantive items of expenditure ascertains whether, in all material respects, funds have been used for the purposes given (including donations and all sources of grant funding).

Our findings

We have completed our use of funds audit programme to confirm compliance with the requirements of the HEFCE Memorandum of Assurance and Accountability and the Office for Students and Research England terms and conditions of funding.

Through our testing of controls and substantive items of expenditure, we have tested whether, in all material respects, funds have been used for the purposes given (including all sources of grant funding).

We have no issues to report in respect of the above.

Subsidiaries – South Bank University Enterprises Ltd.

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Subsidiaries

For the year ended 31 July 2018, we have undertaken a statutory audit of the subsidiary company South Bank University Enterprises Ltd.

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

Planned response

Significant risks

Significant risks identified relate to revenue recognition and management override of controls.

The following procedures were undertaken to address the risks identified:

Revenue recognition

- Performed substantive testing over the revenue balance, vouching income to underlying records; and
- Reviewed the doubtful debt provision and assessed whether it had been appropriately calculated.

Management override of controls

- We reviewed the design and implementation of controls over journals entries; and
- We reviewed a sample of high risk journals and agreed the postings to underlying supporting information.

Our findings

We have carried out an audit on South Bank Enterprises Ltd. pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

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

- Testing of revenue and cost of sales;
- Review of disclosures;
- Tax calculation.

There were no material unadjusted audit differences.

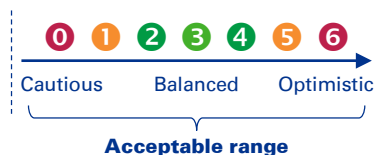
There was one material difference which has been adjusted for, relating to consultancy fees in respect of Lambeth College. Further information is contained in Appendix Two.

A separate report will be presented to the Company's Board of Directors providing detailed results of our audit.

Key accounting judgements

During the audit we have considered a number of key accounting judgements and estimates affecting the University this year and alongside the summary of significant risks and other matters arising in Section One above, we have summarised our findings below to give the Audit Committee a view as to whether we believe these judgements are reasonable:

Level of prudence



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Subjective areas	2017/18	2016/17	Commentary
Pension provision	2	2	<p>The pension deficit within the funded LGPS has decreased over the year by £13m. Our actuarial team has reviewed the assumptions that make up this calculation, and have noted that both the discount rate and the pension increase rate are cautious compared to the KPMG central assumptions. Projected salary increases are in line with our expectation and indicate a balanced position.</p> <p>The life expectancies used to calculate the provision are also cautious based on the central KPMG benchmarked values.</p> <p>Further information is included in Appendix Five.</p>
Other provisions	3	3	<p>The University calculates the provision based on an estimated position at year-end. The methodology for the calculation has not changed since the prior year, and this is therefore considered a balanced estimate.</p>
Fixed assets (valuations/asset lives)	3	2	<p>We have reviewed the University's policy for depreciating assets through our review of the depreciation charge. The University assigns different useful economic lives depending on the category of the asset. Since last year an exercise has been undertaken to cleanse the fixed asset register of assets with a nil net book value. The useful economic lives used are consistent with the wider sector, and we therefore consider this assumption to be balanced.</p>

Other matters

Fraud

We have a responsibility to consider fraud and we addressed this in our assessment of your controls framework. We have also considered your arrangements for the prevention and detection of fraud and corruption, alongside our accounts audit work. There are no matters to bring to your attention in this regard.

Management representations

In accordance with ISA 580 Written representations, we request written representations from those charged with governance on certain matters relating to the audit of the University. The draft written representations will be provided within the papers for the Audit Committee meeting on 9 November 2018. We require a signed copy of your management representations before we issue our audit opinion.

Internal audit

In accordance with ISA 610 Considering the work of Internal Audit we have considered work carried out by the internal auditors during the year, where appropriate including: (i) The overall scope of their work as set out in their strategic and annual plan; (ii) The detailed work they have carried out in the areas identified within the annual plan.

Other information

We read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

We have read, but not yet completed our final review of, the University's draft annual report.

Corporate governance statement

The University is required to include in its annual financial statements a statement on internal control (corporate governance). In formulating their statement, the University is required to have regard to best practice guidance, including guidance from the British Universities Finance Directors Group.

We are required to review the University's statement to assess whether the description of the process adopted by the University in reviewing the effectiveness of the system of internal control is consistent with our understanding of the process and report any inconsistencies in our opinion. We are not required to provide an opinion on the University's system of internal control.

We have read the draft corporate governance statement and have no matters to report in this respect.

Public benefit statement

The University has included a statement that the University's Trustees have had due regard to the Charity Commission's public benefit guidance and have included, in a separate public benefit section of the financial statements, information about how they have delivered their charitable purposes for the public benefit.

We are not required to provide an opinion on the University's public benefit statement. We have not yet reviewed the public benefit statement for inclusion in the financial statements.








Appendices








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Appendix 1: Required communications

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Type	Response
Our draft management representation letter	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 July 2018.
Adjusted audit differences	 Adjusted differences are listed in Appendix 2.
Unadjusted audit differences	 There was one unadjusted audit difference (with a nil impact on surplus). See Appendix 2.
Related parties	 There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	 We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified by the audit. See Appendix 3.
Actual or suspected fraud, non compliance with laws or regulations or illegal acts	 No actual or suspected fraud involving group or component management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.

Type	Response
Significant difficulties	 No significant difficulties were encountered during the audit.
Modifications to auditor's report	 None.
Disagreements with management or scope limitations	 The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	 No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	 No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	 Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	 There were no significant matters arising from the audit.

Appendix 2: Audit misstatements

We are required by ISA (UK) 260 Communication of Audit Matters to Those Charged with Governance to communicate all **uncorrected** misstatements, other than those that we believe are clearly trivial, to the Audit Committee. We are also required to report all material misstatements that management has corrected but that we believe should be communicated to those charged with governance to assist it in fulfilling its governance responsibilities. These are presented on the next page.

Uncorrected audit differences (£000)	Income and expenditure account		Balance sheet	
	Debit	Credit	Debit	Credit
Dr Long Term Debtors			£350k	
Cr Short Term Debtors				£350k
Overall net effect	£0	£0	£350k	£350k

Appendix 2: Audit misstatements (cont.)

The tables below sets out the **corrected** audit differences identified for the year ended 31 July 2018.

London South Bank University

Corrected audit differences (£000)	Statement of comprehensive income and expenditure account		Balance sheet	
	Debit	Credit	Debit	Credit
HSBC Euro Account £751k of funds held with HSBC were not in the bank account at 31 July 2018 and are to be returned to the University.			£751k Trade and Other Receivables	£751k Cash and cash equivalents
Other Operating Income £1,331k had been incorrectly classified as Strategic Health Authority contracts.	£1,331k Tuition fees and education contracts	£1,331k Other income		
Nathu Puri Institute Deferred Income The full deferred income balance relating to the Nathu Puri Institute had been recorded as long term deferred income.			£353k Long Term Deferred Income	£353k Short Term Deferred Income
SBUEL Consultancy Costs £219k of consultancy costs relating to Lambeth college were processed through SBUEL and not recharged to the University. This adjustment cancels out on consolidation in the group accounts.	£219k Other operating expenses			£219k Intercompany creditors
Total	£1,550k	£1,331k	£1,104k	£1,323k
Overall net SOCIE effect	£219k	£0	£0	£219k

Appendix 2: Audit misstatements (cont.)

South Bank University Enterprises Ltd

Corrected audit differences (£000)	Statement of comprehensive income and expenditure account		Balance sheet	
	Debit	Credit	Debit	Credit
2018-19 NNDR Rates expenditure		£75k	£75k	
Invoices paid during 2017-18 relating to 2018-19 NNDR rates had not been appropriately pro-rated and recognised as a prepayment. This is below our triviality level for the group accounts.		Cost of sales	Prepayments	
SBUEL/LSBU Consultancy Costs		£219k	£219k	
£219k of consultancy costs relating to Lambeth College were processed through SBUEL and not recharged to the University. This adjustment cancels out on consolidation in the group accounts.		Other operating expenses	Intercompany debtors	
SBUEL/LSBU Consultancy Costs – Tax Charge	£25k			£25k
During 2016-17 there were a number of consultancy costs for which no decision was made to recharge to the University. There is a resulting tax charge for these invoices which has been processed in 2017-18.	Tax expense			Payables
Total	£25k	£294k	£294k	£25k
Overall net SOCIE effect		£269k		

Presentational issues

In addition to the above we identified a small number of presentational issues during our audit and these have all been amended by the University and SBUEL, including in respect of senior staff remuneration, related parties and the audit fee.

Appendix 3: Audit recommendations

Our objective is to use our knowledge of the London South Bank University and its subsidiaries gained during our routine audit work to make useful comments and suggestions for you to consider. However, you will appreciate that our routine audit work is designed to enable us to form an audit opinion on the financial statements of the Group and it should not be relied upon to disclose all irregularities that may exist nor to disclose errors that are not material in relation to those financial statements.

- This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or in part, without our prior written consent.
- Our report is designed to include useful recommendations that may help improve performance and avoid weaknesses that could lead to material loss or misstatement. However, it is your obligation to take the actions needed to remedy those weaknesses and should you fail to do so we shall not be held responsible if loss or misstatement occurs as a result.

We have identified below each of the observations arising from our work where further action is required. Each of our recommendations has been graded:

- **High** – Recommendations which are fundamental to the system of internal control or have a potential material effect on the financial statements and should be addressed immediately by management;
- **Medium** – Recommendations which will significantly enhance internal controls and should be addressed promptly by management;
- **Low** – Recommendations which will improve performance but are not vital for internal control performance.

Appendix 4: Audit recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	1	<p>Bank reconciliations</p> <p>In September 2017 HSBC closed a Euro account held with HSBC containing €843k (£751k) due to inactivity on the account. Due to an error on HSBC's behalf these funds were not transferred back into LSBU's principal account. The amount was held within the same ledger code and bank reconciliations were performed with the brought forward balance on the old account, therefore the missing amount was not identified, and this was not picked up during review. This was therefore not followed up until the time of our fieldwork in October 2018.</p> <p>Recommendation</p> <p>We recommend that when accounts are closed, remaining funds are held as reconciling items on the bank statement or journaled into the expected ledger account to ensure they are followed up on a regular basis where they are not received.</p>	<p>Agreed</p> <p>In July 2018 when we discovered that this had happened, we decided to transfer the balance to our Natwest account and it was this instruction that HSBC did not action.</p> <p>Responsible Officer: Loretta Audu / Rebecca Warren</p> <p>Due date: 31 October 2018</p>
2	2	<p>Controls over journal entries</p> <p>Management have made improvements to journals controls by introducing automated approval workflow for all G6 journals in the last year. As the user is required to select the type of journal, if the journal type G6 is not selected the automated approval workflow is not triggered. Management have introduced a review of non-G6 journals on a monthly basis, however we did not see evidence that this had operated throughout the period.</p> <p>Recommendation</p> <p>We recommend that the review of non-G6 journals on a monthly basis is reintroduced. This should be reviewed by the Financial Controller to provide assurance that the control has operated effectively.</p>	<p>Agreed</p> <p>The process of reviewing journals that have not gone through an automated authorization process has been in place since November 2017 but this review has not always been formally documented and was not always carried out by the Financial Controller. Going forward a formal review will be carried out as part of the month end process.</p> <p>Responsible officer: Natalie Ferer</p> <p>Due date: 31 October 2018</p>

Appendix 4: Audit recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
3	2	<p>Capturing data to calculate pay multiples</p> <p>This year the Office for Students introduced new requirements for calculating pay multiples. This should include substantive and temporary staff. Due to the way the data for temporary staff is captured by the University, it is difficult to accurately calculate the pay multiple including temporary staff as time worked cannot be easily matched to invoices.</p> <p>The OfS have permitted institutions to calculate the ratio omitting this data for this year, but could require this for 2018-19.</p> <p>Recommendation</p> <p>We recommend that management review how they collate data relating to the time worked by temporary staff, and ensure that this can be cross referenced to invoices received to enable the University to perform this calculation in future years if required.</p>	<p>Agreed</p> <p>Agreed, we will review how to collate data on temporary agency staff in order to perform this calculation in the future</p> <p>Responsible Officer: Natalie Ferer and Ed Spacey</p> <p>Due date: 31 January 2019.</p>
4	2	<p>Intercompany recharges</p> <p>During 2017-18 it was identified that for some transactions which had previously been processed through SBUEL it would have been more appropriate to recharge them to the University. This resulted in an adjustment during the 2017-18 audit and a further corporation tax charge relating to 2016-17.</p> <p>Recommendation</p> <p>We recommend that management undertake regular reviews of the transactions which have been processed through SBUEL to confirm that they have been appropriately posted and do not represent LSBU activity which should be recharged to the University.</p>	<p>Agreed TBC</p> <p>TBC</p> <p>Responsible Officer: TBC</p> <p>Due date: TBC.</p>

Appendix 4: Audit recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
5	3	<p>Maintenance of employment contracts</p> <p>In our review of payroll HR were unable to find one employment contract. This related to a member of staff that has since left the University, and we were able to verify the existence of this member of staff through enquiry with the individual's line manager. The remaining 62 samples were held on file and no issued were noted with these samples.</p> <p>Recommendation</p> <p>We understand that management can record in Midland iTrent whether a contract is held on file for a particular member of staff. We recommend management perform a one-off exercise/check to identify members of staff that do not have a contract in the system/file, and follows up with the respective areas of the University to assess whether contracts are held locally within the School.</p>	<p>Agreed</p> <p>A wider one off exercise will take place</p> <p>Responsible Officer: Dave Lee</p> <p>Due date: 28 February 2019.</p>

Appendix 4: Update on prior year audit recommendations

No.	Risk	Issue and recommendation	Update as at October 2018
1	2	<p>Journals authorisation</p> <p>Currently the Financial Controller conducts a monthly review of all journals posted. However the volume of journals posted on a monthly basis means this is a time consuming exercise, and not all journals are reviewed in detail prior to posting.</p> <p>Recommendation</p> <p>Management has been working to implement an authorisation workflow within the Agresso system, to ensure certain types of journals are authorised before being posted. We recommend that automated journal approval is introduced to ensure that all journals are reviewed in detail with most (other than those that are simply moving transactions between cost centres) being reviewed prior to posting.</p>	<p>Superseded</p> <p>We have identified that a new automated journals authorisation procedure has been implemented for manual journal type G6 which requires G6 journals to be appropriately reviewed before posting. A further review is needed to identify journals not classified as G6 to ensure that they have been correctly classified.</p> <p>We have raised an updated recommendation as part of our current year report.</p>
2	2	<p>Attaching supporting documentation to journals</p> <p>During our testing we identified a number of transactions that were not supported by backing documentation on the Agresso system, and further instances where the backing did not provide sufficient evidence to enable us to corroborate the accuracy or the reasonableness of the journal that was posted.</p> <p>Recommendation</p> <p>The University should ensure that each journal has sufficient backing documentation to corroborate the accuracy and reasonableness of the journal prior to it being approved for posting. If possible the automated approval process should require backing documentation to be attached to the journal, and this should be checked by the approver prior to posting.</p>	<p>Implemented</p> <p>During our audit we noted a significant improvement in the quality and availability of journals documentation attached to Agresso.</p>

Appendix 4: Update on prior year audit recommendations

No.	Risk	Issue and recommendation	Update as at October 2018
3	2	<p>Cleansing of the Fixed Asset Register</p> <p>Through our testing of PPE we identified £407k worth of assets for which evidence of their existence or current use could not be provided. All assets had been fully depreciated meaning there is no impact on the reported results for the year, but it does mean that the cost and accumulated depreciation figures within the fixed asset note are overstated.</p> <p>Recommendation</p> <p>We recommend that management undertake a one off exercise to clear all nil net book value assets that are no longer in use from the Fixed Asset Register. The University should consider whether any of the assets at nil NBV are still in use, and if so, whether the allocated useful economic life is reasonable.</p>	<p>Implemented</p> <p>The University has reviewed their fixed assets during the year and have written off £944k as disposals of nil NBV assets. Our existence testing over a number of samples for 2017-18 did not identify any instances where the University were unable to provide evidence of their existence or current use.</p>

Our assessment is based on our audit and on discussion with management, and is not a substitute for a full scope assessment by management of the progress made.

Appendix 5: Pensions

Local Government Pension Scheme

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

Defined benefit liability

The pension decreased over recent years as the table shows.

Liability	31 July 2018 (£'000)	31 July 2017 (£'000)
	LPFA	LPFA
Present value of funded liabilities	232,750	234,955
Fair value of plan assets	(143,869)	(133,771)
Net underfunding in funded plans	88,881 ^(a)	101,184 ^(a)
Present value of unfunded obligations	10,884	11,565
Net Pension Liability	99,765	112,749

Note: (a) Excluding unfunded obligations totalling £670k in 2017-18 (£736k in 2016-17)
Source: Draft finance statements.

Assumptions

We have set out the findings from our review of the assumptions used by the actuary on page 28. The scope of this report is restricted to a review of the assumptions adopted for determining the value of the pensions obligations under FRS102 only. In our view the overall set of assumptions proposed by the Employer can be considered to be cautious relative to our central rates for a typical UK scheme with a duration of 20 years but within our normally acceptable range.

We have not identified any assumptions that are outside our expected ranges. The pension liability is fairly stated.

Appendix 5: Pensions – Local government pension scheme

Overall assessment of assumptions for FRS 102

Fund: London Pension Fund Authority

The overall set of assumptions proposed by the Employer can be considered to be cautious relative to our central rates for a typical UK scheme with a duration of 20 years but within our normally acceptable range.

Overall assessment:

2

Cautious

Fund Actuary: Barnett Waddingham

Assumption	University	KPMG central	Commentary	Assessment vs. KPMG central
Discount rate	2.65%	2.72%	The Employer's proposed assumption is considered to be cautious but within our normally acceptable range.	2
Pension increase rate	2.35%	2.16%	The Employer's proposed assumption is considered to be cautious but within our normally acceptable range.	2
Salary increases	CPI plus 1.50%	CPI plus 0% to 2.0%	We would typically expect salary increases to fall in the range of CPI plus 0% to 2%. Salary increase assumptions have been derived consistently with the approach taken at the most recent LGPS valuation.	3
Life expectancy at retirement				2
Males currently aged 45/65	23.7/21.3	23.3/21.9	The life expectancies are consistent with those used in the most recent LGPS valuation and can be considered acceptable.	
Females currently aged 45/65	26.6/24.3	25.4/23.8		

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Level of prudence



Appendix 6: Auditor independence

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

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

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

- General procedures to safeguard independence and objectivity;
- [Breaches of applicable ethical standards]
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

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

Appendix 6: Auditor independence (cont.)

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

Summary of fees

We have considered the fees charged by us to the University and its affiliates for professional services provided by us during the reporting period. Total fees charged by us for the period ended 31 July 2018 can be analysed as shown. The ratio of non-audit fees to audit fees for the year was 0.32:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Independence and objectivity considerations relating to other matters

We set out below our consideration of other matters which, in our professional judgement, have a bearing on our independence and objectivity. There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Other relationships – Number 20

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

Steve Balmont (Independent Governor)

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

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Partner and audit staff is not impaired. This report is intended solely for the information of the Governing Body and should not be used for any other purposes.

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

Yours faithfully

KPMG LLP

	Current year (£)	Prior year (£)
London South Bank University	£50,635	£49,400
Subsidiaries	£2,815	£2,750
Total audit services	£53,450	£52,150
Corporation Tax Compliance	£5,491	£3,500
Other non-audit fees	£11,659	N/A
Total audit and non-audit services	£70,690	£55,650

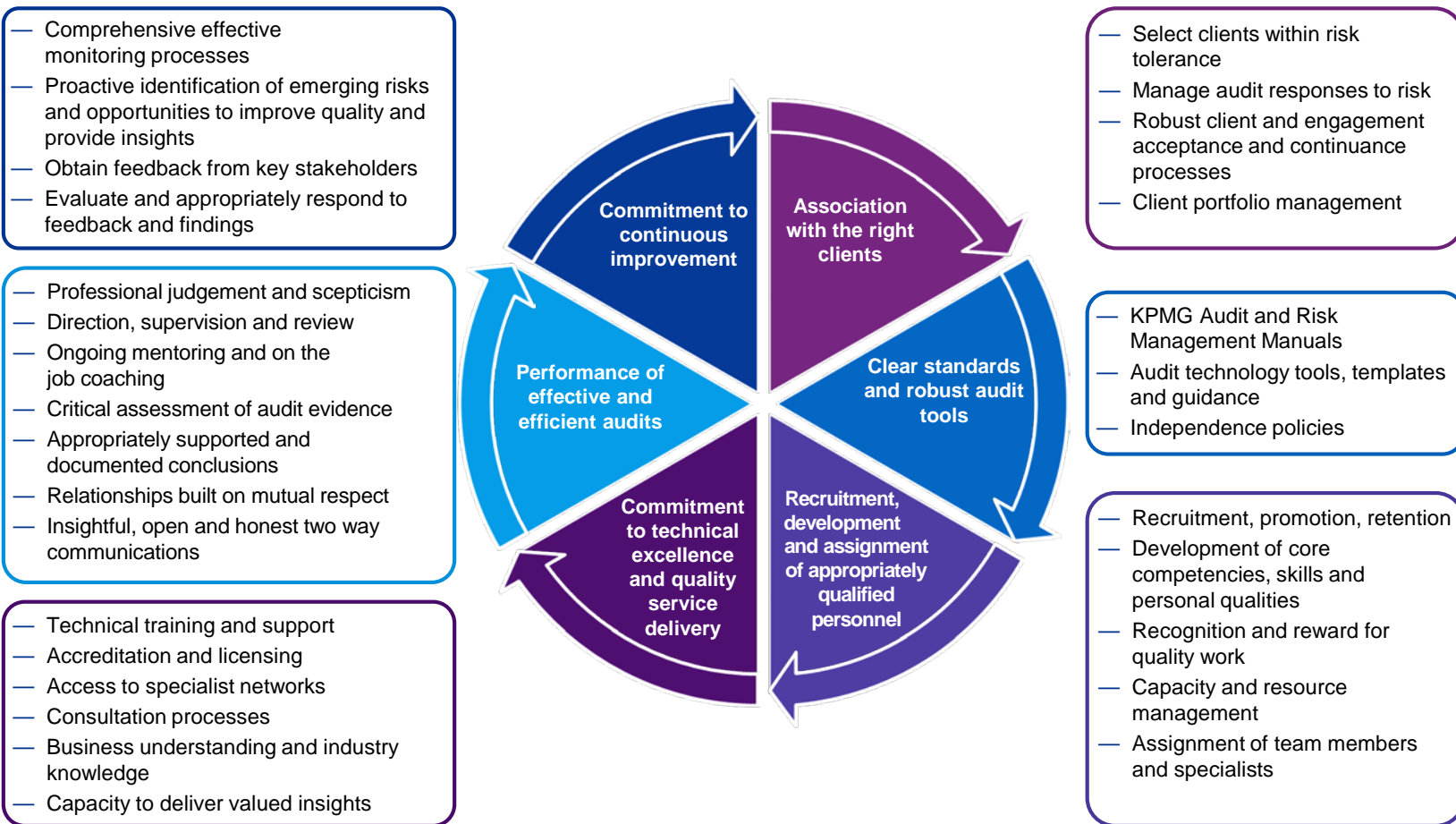


Appendix 7: KPMG's audit quality framework

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

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework

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Agenda Item 7

	CONFIDENTIAL
Paper title:	Going Concern Report – 2017/2018
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	John Baker, Corporate & Business Planning Manager
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to: Review & note the attached statement.

Executive Summary

The Going Concern Report supports the statement made within the draft financial accounts for 17/18 that it is appropriate to assume that the University will continue in operation.

One of the responsibilities of the Board in approving the financial accounts is to ensure that they are prepared on a 'going concern' basis, unless it is inappropriate to presume that the University will continue in operation.

In ensuring the applicability of the going concern basis, the Board must be satisfied that the University has adequate resources to continue in operation for the foreseeable future (and has neither the intention nor the need to liquidate or curtail materially the scale of its operations for a period usually regarded as at least 12 months).

This report provides the Audit Committee with detail regarding the assurance sources of this judgment regarding future sustainability.

Areas of assurance include:

- Regular KPI reporting to the Finance, Planning & Resources Committee in areas which are relevant to the sustainability of LSBU
- An effective risk management process (rated in the September 2018 internal audit report as low risk)
- Achievement of registration with the Office for Students without any specific conditions
- Financial strategy and forecasts approved by the Board, which provide for financial surpluses each year over the forecast period to 2021 in line with the corporate strategy
- A financial surplus of £1.5m for 2017/18 which is in line with the budgeted surplus position
- A budget surplus of £1.5m agreed by the Board for 2018/19. The recruitment cycle has been positive and offset a slight deterioration in re-enrolment which means income is expected to show marginal growth compared with 17/18 and the Executive is confident that LSBU will deliver on agreed budget outcomes
- Cash and cash deposits of £50.2 m at 31 July 2018
- Approved cashflow forecasts which provide for sufficient annual net cash inflows to enable the University to meet its future investment plans
- A range of scale-able estate options which allow us to match delivery with available funding.

The Executive recommends that audit committee note the assurance sources and recommend approval by the Board of the going concern statement in the statutory accounts.

Going Concern Report 2017/18:

The responsibilities of the Board of Governors towards LSBU are set out in the financial statements. One of those responsibilities is to ensure that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University will continue in operation. In ensuring the applicability of the going concern basis, the Board must be satisfied that the University has adequate resources to continue in operation for the foreseeable future (at least 12 months).

This paper is presented to the Board and its committees to summarise the assurance sources regarding the future sustainability of LSBU which underpin the going concern statement in the annual financial accounts.

The Going Concern statement in the annual accounts reads as follows:

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

2017/18 has been a successful year with income growth of 0.5% to £145.3m, building on earlier re-structuring and investment for future success. Full time undergraduate recruitment remained challenging but this was offset by increases in postgraduate and overseas TNE income and increases in research & enterprise activity. A financial surplus of £1.5m is reported, in line with the approved budget, as a result of continued sound financial management and effective cost control. This is after accounting for the re-structure costs of £1.9m and a year on year increase in pension service charge of £1.7m.

A budget surplus of £1.5m has been approved for 2018/19, reflecting the need for continued surplus whilst maintaining appropriate levels of investment spend to drive the necessary corporate strategic outcomes. Recruitment has been positive this year, with new student enrolments expected to exceed targets, despite continued increased levels of market competition. Whilst progression and retention have shown a slight deterioration, we are confident that we can deliver to the agreed budget surplus.

The University continues to generate positive cash inflows from operating activities and has a strong cash position with £50.2m cash and bank deposits at 31 July 2018.

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

1. KPI reporting

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

By 2020 we will have delivered:
<ul style="list-style-type: none">• 25% growth in income from £136m to £170m
<ul style="list-style-type: none">• An operating surplus of 5% (£8.5m pa on income of £170m)
<ul style="list-style-type: none">• EBITDA margin (EBITDA/income) of 15% (equivalent to EBITDA of £25.5m pa on income of £170m)

The KPI report is provided to each meeting of the Finance Planning & Resources committee. The latest KPI report for 2017/18 is attached at Appendix 1.

In terms of financial KPIs the only red rated items relate to levels of overseas income which were behind budget for the year, but which still demonstrated growth in the TNE income delivered through overseas partnerships, and the EBITDA %.

However, the budget was aggressive in terms of growth and the turbulence in the sector and uncertainty in the political environment have had a direct impact on strategic plans in these areas.

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

2. Risk management

We have an effective risk management process (rated as low risk by our internal auditors in September 2018), linked to the achievement of institutional objectives as set out in the corporate strategy 2015/20 and designed to identify, evaluate and effectively manage risk. Where there are serious issues or risks, this process helps ensure that appropriate controls are in place and/or remedial actions taken as appropriate. We have also continued during 2017/18 to ensure that we have aligned our processes to the Board's assessment of risk appetite.

3. Financial sustainability

Financial strategy and forecasts

The University's financial strategy is expressed through its rolling five year financial forecasts. Those forecasts are kept under constant review and have been thoroughly revised in 2018 to reflect latest assumptions.

The key elements of the financial strategy are to:

- Aim for a surplus of 5% of income. This will not be achievable each year over the next 5 years because we are increasing our revenue (as well as capital) investment to deliver the outcomes set out in the University corporate strategy. However, the approved annual surplus over the next 5 years will generate sufficient cash reserves both to support investment at current planned levels and manage the financial position in the short term
- Deliver growth in income, with a particular focus on apprenticeships, enterprise and income from international students
- Manage staff costs, including agency costs, to an agreed maximum percentage of income
- Ensure flexibility, to allow management to respond as necessary to changes as they arise. The revenue budget each year includes an investment pool which can be flexed as required in response to changing circumstances. In 2017/18 those revenue investment funds amounted to £2.5m. We have also set aside in 2018/19 a further investment of £1.2 m to fund initiatives in support of the corporate strategy.
- Provide capital investment at an appropriate level to provide for future sustainability in buildings and infrastructure
- Ensure that all aspects of the University's operation are as lean and efficient as possible without compromising quality or student success
- Maintain cash balances at agreed levels (minimum £20m).

The current forecasts will be reviewed again early in 2019 to reflect the continued challenging financial environment over the next few years. However, future forecasts are expected to deliver:

- Financial surpluses over the forecast period (minimum £1m p.a.)
- Sufficient operating cash to enable the University to meet its stated investment.

Within our monitoring framework we have set targets for a small number of leading KPIs linked closely to delivery of the financial forecasts and which are monitored closely by the Board. The key targets are:

- Minimum new student recruitment at FTUG Home/EU of 2,500 (latest indications for 18/19 are that we are close to 2,700)
- Improving YR1/YR2 progression to 80% by 2020
- Additional income of £25 m p.a. (at surplus of 20%) by 2020
- Capital Investment of £20mpa over the life of the forecasts.
- Maintaining income in the Health and Social Care (HSC) at forecast levels.

Cashflow

Capital expenditure plans have been analyzed in detail and a detailed cashflow model has been prepared as an integral part of the 5 year financial forecasts which reflect agreed spending plans. The approved forecasts provide for sufficient annual net cash inflows to enable the University to meet its current investment plans.

4. Sustainability in estates & infrastructure investment

LSBU continues to develop its strategic investment in the estate to create sustainable, first class facilities which will enhance both the learning and social experiences of students and support the delivery of the academic mission. The estate strategy includes plans to build new facilities and for the refurbishment of existing buildings. Appropriate control mechanisms are in place to ensure that specific projects within the master plan are prioritized and potential funding sources identified. The funding approach adopted supports future financial sustainability by unlocking the potential value of the existing estate through innovative solutions. A small amount of additional external borrowing may be required over the life of the forecasts depending on the development option(s) chosen but not at levels that would put the financial model / forecasts at risk.

Attachments - Appendix 1: Latest KPI report 17/18 Academic Year

Report Date		18th October 2018		Past Performance			Benchmark	Target	Forecast	Result	DoT		Ambition	
Corporate Strategy Goals	20/20 Success Measures	#	Key Performance Indicators	14/15	15/16	16/17	Aspirational Group 15/16 average	17/18		YoY	Exec. Lead	20/21		
Teaching and Learning	Top 50% of universities for graduate employment / starting salaries.	1	Graduate level employment &/or Further study (EPI population)	68%	76.0%	81.8%	67.1	80%		87.7%	↑	PVC (SE)	80%	
Student Experience	Top quartile of all universities in NSS	2	NSS scores – overall satisfaction (First Degree respondents)	82%	82%	82.2%	82.4%	84%		79.1%	↓		89%	
		3	International Student barometer (% recommending LSBU)		77%	77%	not available	78%		80%	↑	DVC	81%	
		4	PGT experience (% satisfaction)	74%	74%	71%	not available	77%		71%	↓		82%	
		5	Student Staff Ratio	16.4:1	17:1	16.5:1	17.6:1	17:1	16.5:1			→		18:1
		6	DLHE Positive Outcomes; employment or further study (EPI)	90.2%	90.8%	94.6%	92.0%	95%		95.3%	↑	PVC (SE)	95%	
Employability	95% students in employment / further study (EPI) Top 10 UK universities for student start ups	7	Number of Student start ups (Active Firms in HE-BCI 4aiv)	30	50	45	53.6	90				PVC (R&E)	150	
Research & Enterprise	Top 50% UK for Research & Enterprise Income	8	Research Income (non Hefce)	£2.0	£1.9	£2.8	£10.3	£3.1	£3.4		↑	PVC (R&E)	£6.0 m	
		9	Enterprise Income	£8.1	£7.8	£9.2	not available	£10.5	£11.0		↑		£19.0 m	
Access	Top London Modern for LPN recruitment	10	% recruits from low participation neighbourhoods (Young FT FD)	7.7%	8.4%	9.2%	6.8%	8.2%		8.9%	↓		9.0%	
		11	FTUG % (w/o HSC contract) recruited before Clearing	71.8%	71.8%	71.1%	not available	75%	74.5%			↑	CMO	90%
	Exceed expectations on completion	12	First Degree Completion projection (at or above benchmark)	-7 %	-5.8%	-5.5%	-2.5%	-2%		-1.8%	↑		+3%	
		13	Year 1 progression	73.1%	77.3%	74.7%	not available	80%					DVC	85%
		14	Good Honours	61.2%	66.4%	69.1%	67.4%	63 - 67%						63 - 67%
15	PGT completion	61.5%	58.7%	69%	not available	70%						85%		
International	4 QS Stars	16	QS Star Rating	3 stars	3 stars	4 stars	not available	4		4 stars	→	VC	4	
		17	Overseas student Income (millions)	£11.2	£9.8	£11.2	£31.9 m	£13.1	£10.9		↓	PVC (R&E)	£20m	
People and Organisation	Rated as a good employer	18	Appraisal completion % (Amongst all eligible staff)	90%	91%	95.6%	not available	100%				DVC	100%	
		19	Average Engagement Score as a %		58%	62%	70%	66%		61%	↓	DVC	75%	
Resources & Infrastructure	Grow our Income by 25% to £170m annually, deliver an operating surplus of 5% and an EBITDA margin of 15%	20	Surplus as % of Income	0.9%	2.4%	1.3%	3.0%	1.0%	1.1%		↓		5.0%	
		21	Income (£m)	£140.8m	£138.2	£144.5	£202.8m	£150.5m	£145.3		↑	CFO	£170.0m	
		22	EBITDA margin (EBITDA expressed as % of Income)	9.2%	11.8%	12.0%		13.0%	10.7%		↓		15.0%	
	Student satisfaction with facilities & environment in top UK quartile	23	Student satisfaction ratings with facilities & environment (FD)	87.7%	90.0%	87.2%	86.5%	90.0%		84.0%	↓	COO	90%	
		24	ICS Service Index %	68%	76%	66%	-	76%			-		80%	
Overall	Top London Modern university (excl UAL)	25	Times - League table ranking	120 / 127	120 / 128	106 / 128	98	103		107 / 132	↓		85	
		26	Guardian – League table ranking	111 / 119	107 / 119	92 / 121	86	87		78 / 121	↑	VC	70	
		27	Complete University Guide – League table ranking	119 / 126	115 / 127	108 / 129	90	105		93 / 131	↑		87	

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	CONFIDENTIAL
Paper title:	External audit Letter of Representation
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	Natalie Ferer, Financial Controller
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Review
Recommendation:	That Audit Committee recommend approval to the Board.

Executive Summary

The letter of representation requires the Board of Governors to give specific assurances to the auditors over matters regarding the financial statements and the year-end audit. It should be signed by the Chair of Governors at the time of signing the accounts. The attached letter contains standard representations only; there are no items that have been inserted specific to LSBU.

Recommendation

That Audit Committee review and recommend that the Board approve the attached Letter of Representation.

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(Letterhead of Client)

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

[Date]

Dear Fleur

This representation letter is provided in connection with your audit of the Group and University financial statements of London South Bank University (“the University”), for the year ended 31st July 2018, for the purpose of expressing an opinion:

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

These financial statements comprise the Group and University’s balance sheets as at 31st July 2018, the Group and University’s Statements of Comprehensive Income, the Group and University Statements of Changes in Reserves, and the Group Statement of cash flows, and notes, comprising a summary of significant accounting policies and other explanatory notes.

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

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

Financial statements

1. The Governing Body has fulfilled its responsibilities, as set out in the terms of the audit engagement dated 30 March 2017, for the preparation of financial statements that:

- give a true and fair view of the state of the Group's and the University's affairs as at the end of its financial year and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and the FEHSORP; and
- have been prepared in accordance with the Companies Act 2006.

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

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

Information provided

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

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

- (ii) The Governing Body has disclosed to you all information in relation to:
 - (a) Fraud or suspected fraud that it is aware of and that affects the Group and the University and involves:
 - management;
 - employees who have significant roles in internal control; or

- others where the fraud could have a material effect on the financial statements; and
- (b) allegations of fraud, or suspected fraud, affecting the Group and the University's financial statements communicated by employees, former employees, analysts, regulators or others.

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

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

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

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

13. The Governing Body further confirms that:

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

- have been identified and properly accounted for; and
- (b) all plan amendments, settlements and curtailments have been identified and properly accounted for.
14. The Governing Body confirms that costs or credits attributable to the agreement of a deficit recovery plan for the Universities Superannuation Scheme (USS) are calculated using assumptions that are consistent with its knowledge of the business. In particular, the Governing Body confirms that the assumptions for assumed salary inflation in each year during the life of the plan and assumed USS membership changes during the life of the plan are consistent with the University's projected employee population profile.
15. In particular the Governing Body confirms that:
- there are no significant matters that have arisen that would require a restatement of the corresponding figures.
 - to the best of our knowledge and belief the University has complied with the requirements of the Charities Act 2011. In particular, the University has disclosed all payments made in relation to trustees expenses and all "connected institutions and bodies" have been disclosed appropriately. Furthermore, all serious incidents, as defined under the Act, have been captured and recorded appropriately.
 - there are no issues arising from the finalisation of student data for the year ending 31 July 2018 which has been used to produce the University's 2018 HESA return/recreation of HESES17 which would have a material impact on teaching funding from HEFCE or Office for Students or English undergraduate fee income recognised in the financial statements.
 - we are not aware of any issues relating to the University's other HEFCE, Office For Students or Research England funding streams years (e.g. Higher Education Innovation Fund grants) which may lead to a clawback in funding over and above that recognised in the financial statements.
 - to the best of our knowledge and belief the University has complied with the terms and conditions of any capital grant funding received during the year and in respect of other capital grant funding received in prior years. In all instances, the University is satisfied that the agreed outputs against which each project will be assessed will be delivered.
 - to the best of our knowledge and belief the University has complied with the terms and conditions of any revenue grant funding (for example research funding) received in recent years and where agreed outputs are to be delivered as part of the grant agreement, the University has or anticipates delivering these.
 - In all material respects funds from whatever source administered by the Group and the University for specific purposes have been applied to those purposes during the year ended 31 July 2018;

- in all material respects the University has complied with the requirements of its Memorandum of Assurance and Accountability with the Higher Education Funding Council for England in the period from 1 August 2017 to 31 March 2018.
- in all material respects the University has complied with the Office for Students and Research England terms and conditions of funding in the period from 1 April 2018 to 31 July 2018.

This letter was tabled and agreed at the meeting of the Council/Governing Body on [insert date].

Yours faithfully,

[Chair]

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

Financial Statements

A complete set of financial statements comprises:

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

Material Matters

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

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

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

Fraud

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

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

Error

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

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

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

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

Management

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

Related Party and Related Party Transaction

Related party:

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

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

Related party transaction

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

Appendix B to the Management Representation Letter of London South Bank University

Summary of unadjusted audit differences

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

Uncorrected audit differences (£000)	SOCIE		Balance Sheet	
	Debit	Credit	Debit	Credit
Dr Long Term Debtors			£350k	£350k
Cr Short Term Debtors				
Overall net I&E effect	£0	£0	£350k	£350k

Adjusted audit differences

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

Corrected audit differences (£000)	SOCIE		Balance Sheet	
	Debit	Credit	Debit	Credit
HSBC Euro Account £751k of funds held with HSBC were not in the bank account at 31 July 2018 and are to be returned to the University.			£751k Trade and Other Receivables	£751k Cash and cash equivalents
Other Operating Income £1,331k had been incorrectly classified as Strategic Health Authority contracts.	£1,331k Tuition fees and education contracts	£1,331k Other income		
Nathu Puri Institute Deferred Income The full deferred income balance relating to the Nathu Puri Institute had been recorded as long term deferred income.			£353k Long Term Deferred Income	£353k Short Term Deferred Income
SBUEL Consultancy Costs £219k of consultancy costs relating to Lambeth college were processed through SBUEL and not recharged to the University.	£219k Other operating expenses			£219k Intercompany creditors
Total	£1,550k	£1,331k	£1,104k	£1,323k
Overall net SOCIE effect	£219k	£0	£0	£219k

	CONFIDENTIAL
Paper title:	Annual Report and Accounts for year ending 31 July 2018
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	Natalie Ferer, Financial Controller
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Review
Recommendation:	Audit Committee is requested to review and recommend the attached Report and Accounts to the Board of Governors.

Executive summary

The audit for the year ended 31 July 2018 is almost complete, subject to final review by KPMG. The draft report and accounts are presented here and KPMG are in the process of finalising their audit letter.

Governors should in particular draw their attention to the following sections in the accounts:

- A commentary on the financial results for the year is shown on pages 6-10. Results for the year have previously been considered in the July management accounts. KPMG are in the process of finalising their review of the accounts but no material adjustments are proposed or anticipated.
- Pages 4-6 of the 'Strategic Report' sets out the University's objectives and strategy for achieving those objectives in its performance through the year and its prospects for the future. This narrative is taken from the Corporate Strategy Progress Report presented to the Board.
- A description of the principal risks and uncertainties facing the University is shown on page 6.
- An assessment of the University as a going concern, as will be presented to the Board, is shown on page 10.

- Remuneration of higher paid staff, including the Vice Chancellor, is frequently the subject of FOI requests. Relevant sections include:
 - Staff numbers by category (page 41)
 - Remuneration of higher paid staff (page 42)
 - Key Management Personnel (page 44)
 - Related Party Disclosures (page 44)

Recommendation

Audit Committee is requested to review and recommend the attached Report and Accounts to the Board of Governors.



Report and Financial Statements

31 July 2018

20/9/18

Draft at 25/10/2018

Report and financial statements 2018

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Report and financial statements 2018

Strategic Report

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

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

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described on pages 15-20 and the members of the Board of Governors during the year ended 31 July 2018 are listed on page 3. The Governors are also directors under the Companies Act 2006.

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

Solicitors

Shakespeare Martineau LLP
1 Colmore Square
Birmingham B4 6AA

Mills and Reeve LLP
Botanic House
100 Hills Road
Cambridge CB2 1PH

Veale Wasbrough Vizards LLP
Orchard Court
Orchard Lane
Bristol BS1 5WS

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

NatWest
City of London Office
1 Princes Street
London EC2R 8PA

Report and financial statements 2018

Strategic Report

Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2018 except as noted:

Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix OBE (Vice Chancellor and Chief Executive)	
Mr Sodiq Akinbade	Retired 30 June 2018
Mr Steve Balmont	
Mrs Shachi Blakemore	
Mr Duncan Brown	Appointed 1 August 2017
Ms Julie Chappell	
Mr Michael Cutbill	
Mr Douglas Denham St Pinnock	
Professor Peter Fidler CBE	Appointed 1 August 2017
Mrs Carol Hui	Resigned 20 February 2018
Professor Hilary McCallion CBE	
Ms Nelly Kibirige	Appointed 1 July 2018
Mr Kevin McGrath	
Dr Mee Ling Ng OBE	
Ms Jenny Owen	
Mr Tony Roberts	
Mr Suleyman Said	Retired 30 June 2018
Mr Nazene Smout	Appointed 1 July 2018
Changes in Governors since 31 July 2018:	
Mr Jeremy Parr	Appointed 1 August 2018

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Strategic Report

Principal Officers:

Name	Position
Professor David Phoenix	Vice Chancellor and Chief Executive
Professor Patrick Bailey	Deputy Vice Chancellor
Mrs Mandy Eddolls (resigned 15 June 2018)	Executive Director of Organisational Development and HR
Mr Richard Flatman	Chief Financial Officer
Professor Paul Ivey	Pro Vice Chancellor (Research and External Engagement)
Miss Nicole Louis	Chief Marketing Officer
Mr Ian Mehrtens	Chief Operating Officer
Mr James Stevenson	Secretary and Clerk to the Board of Governors
Professor Shân Wareing	Pro Vice Chancellor (Education and Student Experience)

A separate Corporate Governance Statement is shown on pages 15-20.

Objectives and Activities

London South Bank University has been transforming lives, communities and businesses for over 125 years. At its creation, its aims were to improve social mobility for the people of south London by improving their employment opportunities, and to support the community by providing access to the applied knowledge that would advance their businesses. Other than an increasingly global reach, that mission remains almost unchanged today – LSBU provides a highly applied academic environment which supports students into professional careers by providing the knowledge and skills that are attractive to employers. It supports employers and the professions by providing the education, consultancy and high quality applied research they need.

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

Student success

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

Real world impact

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

Access to opportunity

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

The University has had a very good year in terms of financial and strategic outcomes. It improved its rank by 15 places in the Good University Guide and subject performance ranking improved for 23 out of 30 subjects.

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Student Success

We aim to ensure that our teaching remains highly applied, professionally accredited and demonstrably linked to research and enterprise, delivering the attributes that will make our graduates highly sought after. Students are seen as participants in their learning and their voices are encouraged and listened to. We provide students with an individualised learning experience to develop the skills and aspirations that enable them to enter employment, further study or start their own business. Our approach continues to pay dividends. Sam Gyimah, Minister for Higher Education, said: "There are some great technical options within universities; like South Bank University.. do a great technical option in construction." (BBC's Newsnight programme 19 February 2018)

- LSBU was named University of the Year for Graduate Employment [The Times and Sunday Times Good University Guide 2018]. Alistair McCall, editor of the Guide said: "London South Bank has an outstanding record for graduate employment. It is a shining example of all the best qualities held by the modern university sector".
- LSBU is now the top 4 university in the UK for graduate outcomes (graduate employment and further study). 87.7% of LSBU graduates were in graduate employment or further study, surpassing Oxford and Cambridge and all but one Russell Group university. (This is based on the official Employment Performance Indicator cohort and excludes Specialist Institutions).
- LSBU is a top 12 UK university for Graduate Starting Salaries [The Times Good University Guide September 2017]
- LSBU is a top 20 UK university for Graduate Prospects; and is the No 1 London Modern University for Graduate Prospects [Sunday Times League Table September 2017]

Real World Impact

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

The profile of our research within and beyond LSBU has been enhanced through our new Research and Enterprise Institutes. The Annual University Research Audit (AURA) informed preparations for further research development and led to the creation of 33 research groups and 15 research centres.

- 73% of LSBU research is rated 3* and 4* for Impact. LSBU has ongoing research partnerships with leading companies including Sellafield, London Underground and FitFlop
- 2017/8 was a year of growth for our two innovation centres, based at the Cambridge Technology Park in collaboration with TWI. The London South Bank Innovation Centre and the Advanced Resins and Coatings Innovation Centre launched two major projects in spring 2017. The two centres have already attracted projects worth over £10m
- The University's Clarence Centre for Enterprise and Innovation is ranked in the top 15 worldwide of university-run business incubators. [UBI Global World Rankings 2017/18]
- LSBU rose 50 places in the QS World Rankings having entered the rankings for the first time last year when it achieved a QS stars rating of 4 stars.

Access to Opportunity

LSBU works with partners to provide opportunities for students with the potential to succeed.

- LSBU is a leader in the new Higher and Degree apprenticeships offering over 20 programmes in partnership with employers. 350 students were enrolled on Higher and Degree Apprenticeship programmes during the year

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Strategic Report

- LSBU is a top 15 UK university and the top London Modern for part-time postgraduate study. Over a quarter of LSBU students are on postgraduate courses, with 45% of them sponsored by their employer (HESA Student Full Person Equivalent (FPE))
- LSBU is establishing a new Institute for Professional and Technical Education to support educational pathways into higher and degree level technical education and, with partners, is investing over £12m in increasing provision for apprenticeships
- LSBU was ranked 32nd of all UK universities for “value added” by the Economist magazine, which used published data to analyse the “value added” by individual universities to their students based on actual and expected earnings [The Economist Data Team 10 August 2017]

Strategic Enablers

- LSBU was awarded Outstanding Student Services Team 2018 in the THE Leadership & Management Awards 2018

Principal risks and uncertainties

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

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

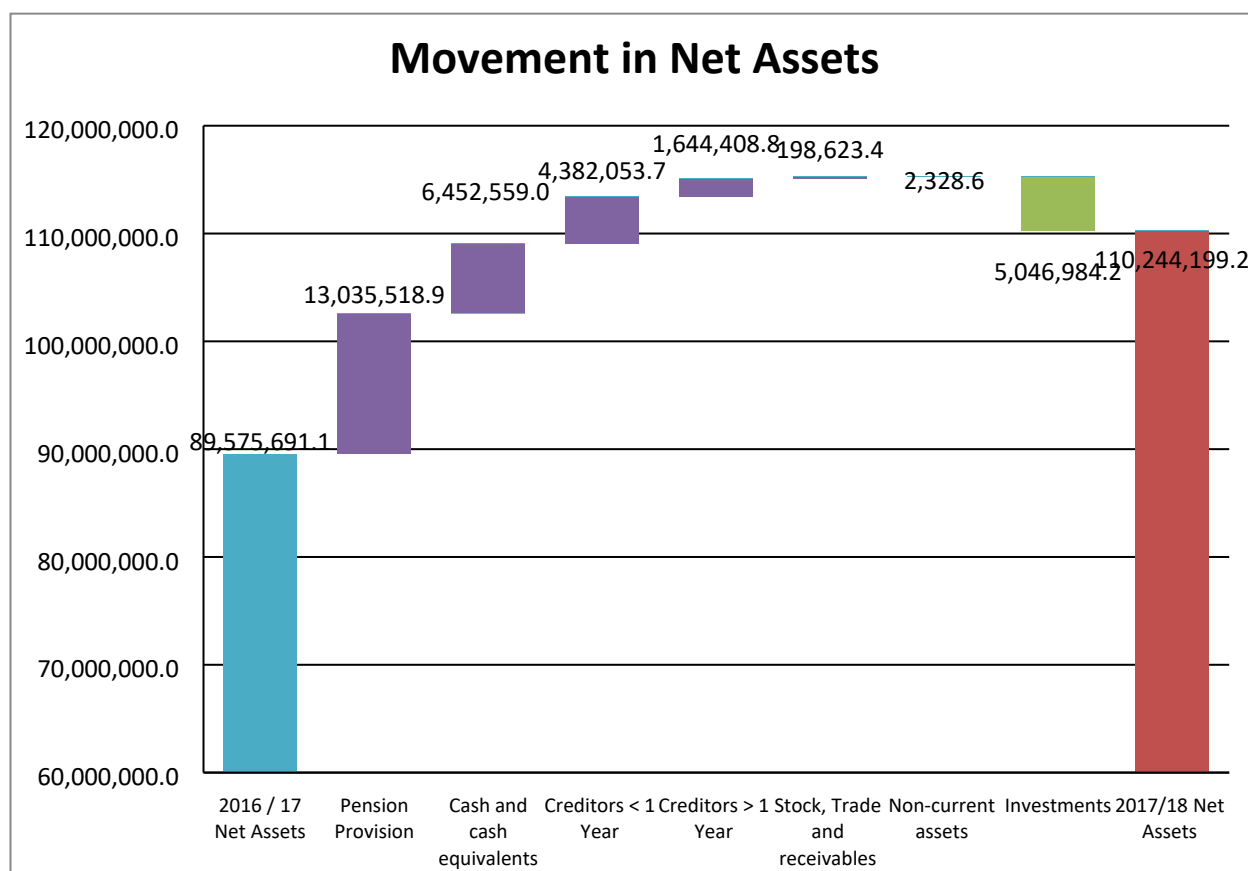
Risk	Controls and Mitigation Strategies
Revenue reduction	<ul style="list-style-type: none"> • QSC approval of course validations informed by market insight • Weekly review of numbers by MAC leadership team • Monthly review of DARR report • Revised Outreach
Anticipated International and EU student revenue not realised	<ul style="list-style-type: none"> • Annual cycle of training events with staff on UKVI processes. • Recruitment reports to each meeting of Ops Board • Development of Overseas offices
Progression rates don’t increase	<ul style="list-style-type: none"> • Increase data analysis to academic staff including progression data • Study support provided by Library & Learning Resource Centre • Personal tutoring specification established
Increasing pensions deficit	<ul style="list-style-type: none"> • Regular review and consideration of potential options for future provision • Modelling / scenario analysis of future costs and projected movements in assets & liabilities • Group defined contribution scheme established • Strict controls over early access to pensions.

Financial Review

Balance sheet and liquidity

The Group’s net assets increased by 23% during the year moving, from £89.6m to £110.2m. The principal reason for the change is the valuation of the deficit in the London Pension Fund Authority (LPFA) Scheme which is included within Other Comprehensive Income within the year.

Report and financial statements 2018 Strategic Report



The University always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances and bank deposits increased from £48.8m to £50.2m whilst Bank and other loans have reduced from £25.6m at 31 July 2017 to £24.3m at 31 July 2018 reflecting loan repayments made during the year. No new loans were taken out during the year.

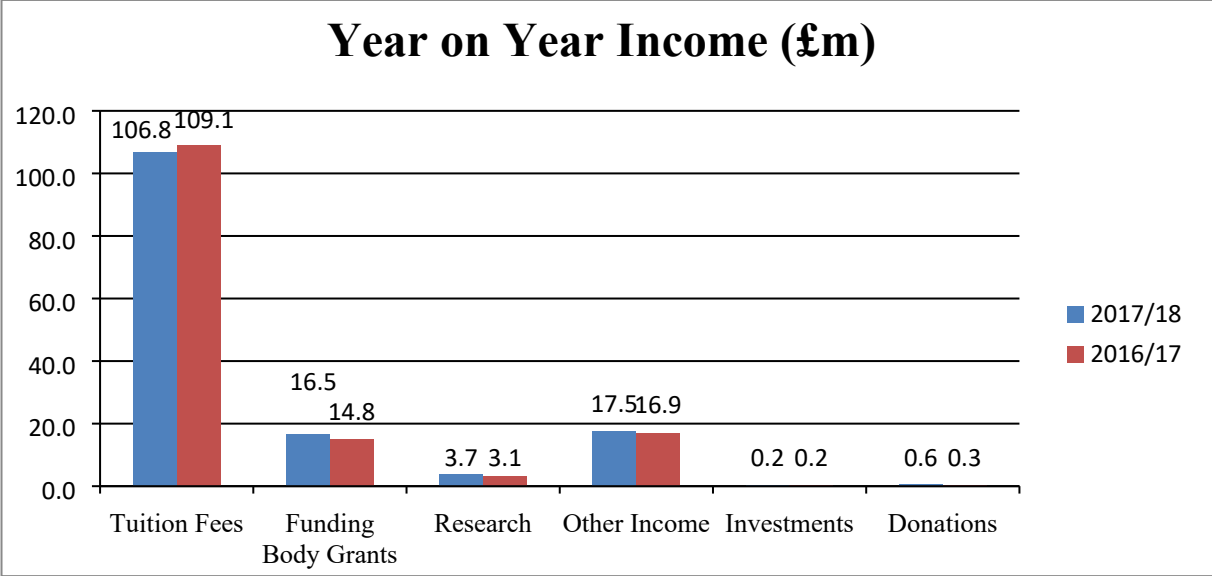
The levels of borrowing are reviewed on a regular basis and are considered adequate to meet current operational plans.

Result for the Year

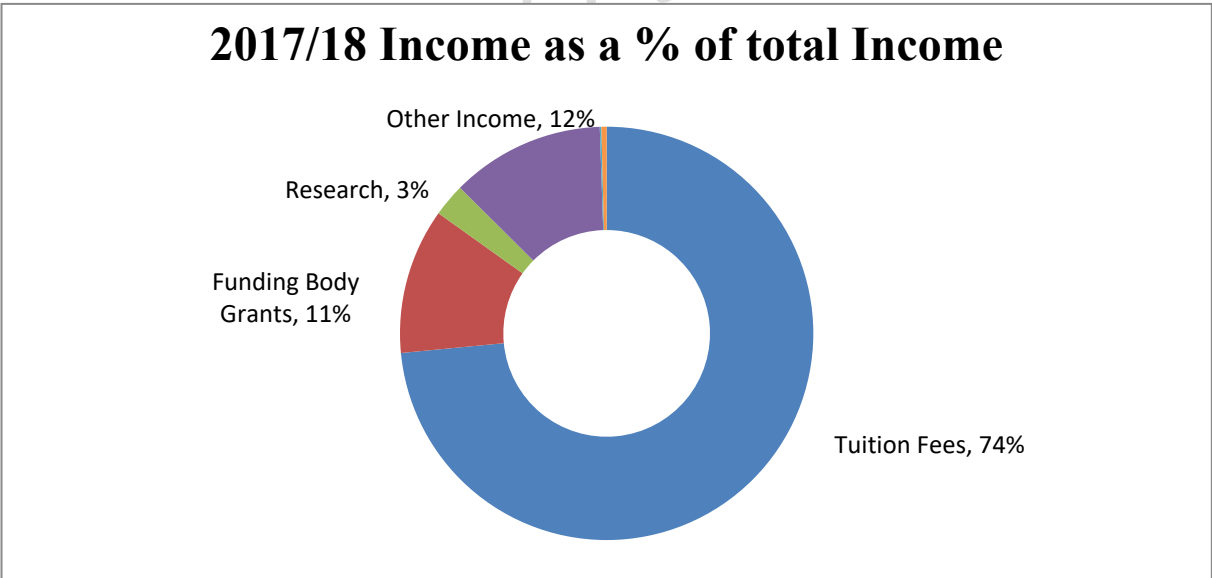
Financial Summary in £m			Variance from 2016 / 17 £m	
	2016/17	2016/17		
Income	144.5	145.3	0.8	0.6%
Expenditure	142.6	143.7	1.1	0.8%
Surplus for the year	1.9	1.6	-0.3	-15.8%
Surplus %	1.3%	1.1%		

The operating surplus of £1.6m is ahead of the agreed budget surplus of £1.5m and the forecast surplus of £1.5m submitted to HEFCE in January 2018. In the context of the continuing investment being made by the University and the recruitment challenges across the sector in 2017/18, particularly with regard to changes in the full time undergraduate demographic and the decline of the part time student market, this is considered a good result.

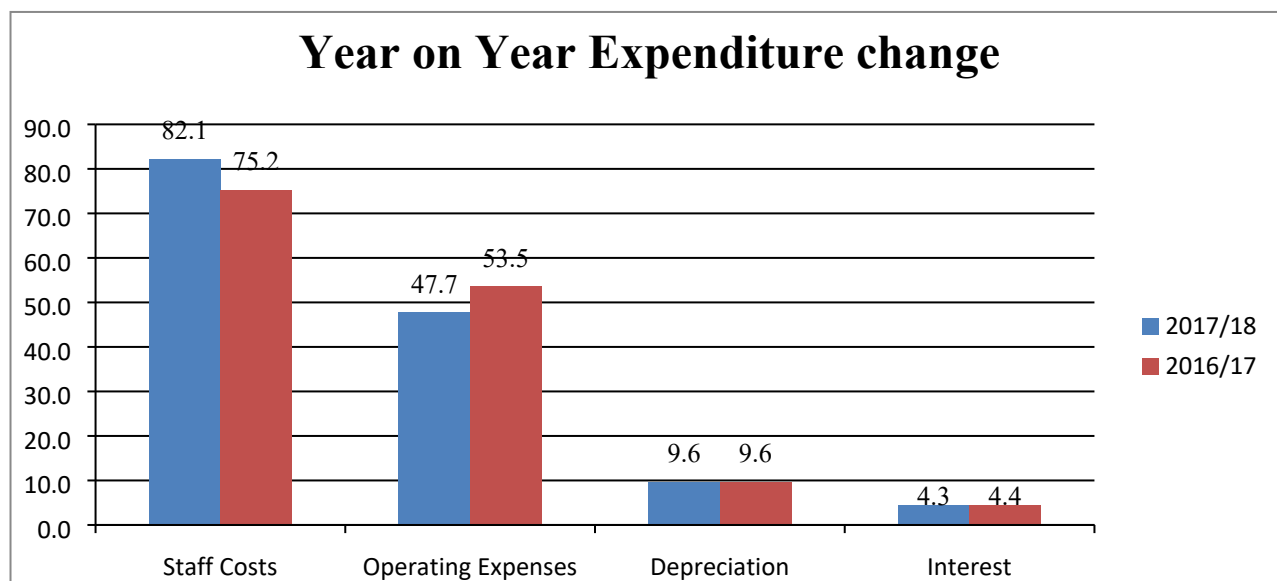
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Total income increased by 0.6% (0.8m) to £145.3m (2016/17: £144.5m). Academic fees (including NHS contract income) and Funding Council Grants remain the main sources of income for the University representing 73.5% and 11.4% respectively (2016/17 = 75.5% and 10.3%). There was an increase in Funding Grants due to the impact of the new fee regime for both undergraduate (UG) and Postgraduate (PG) Health & Social Care students. This increase, however, was offset by a net decrease in Home / EU Tuition fees. Although Tuition Fees went up as the responsibility for fees transferred from the NHS to individual students this was offset by a larger decline in Health Contract income. The other factors affecting income were an increase in research income following a number of successful research bids and an increase in Other Income as the University expands its enterprise activities.

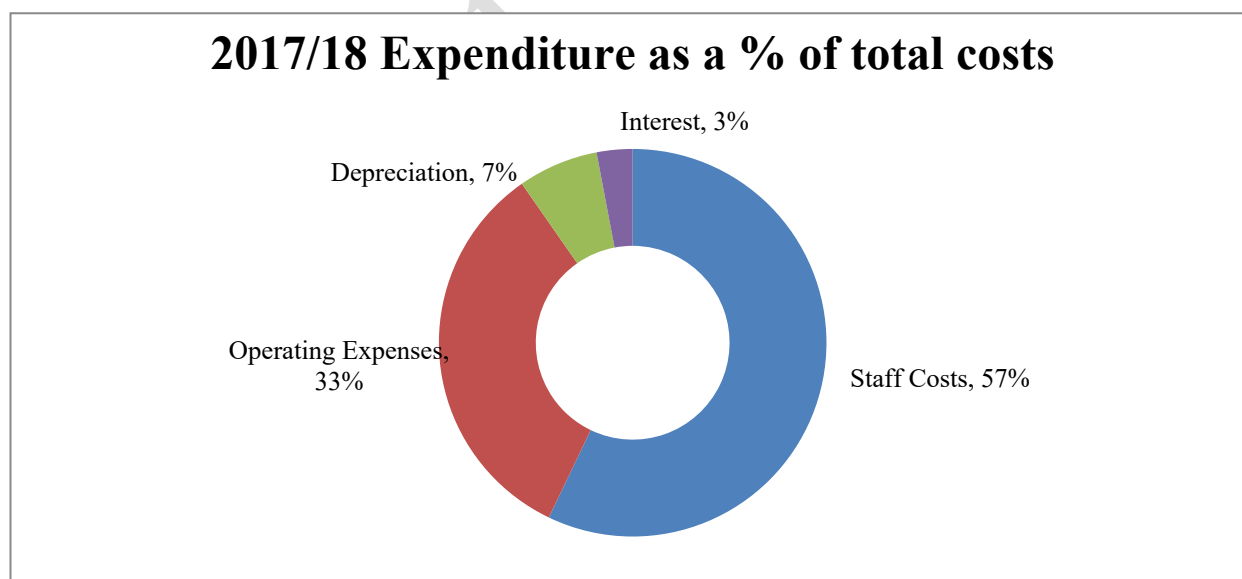


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In terms of Expenditure, Staff costs increased by 9.9% from £75.2m in 2016/17 to £82.6m in 2017/18 representing 56.9% of income (2016/17: 52.0%). After including agency staff costs, which are included in the accounts as operating expenditure but before any restructuring provision, total staff costs represent 57.4% of income. This is slightly higher than our target of 55% and Staff costs remain an area of continued focus for the University in 2017/18.

Other operating expenses decreased by 9.9% from £53.5m in 2016/17 to £47.7m. There were some large one off costs in 2016/17 primarily relating to the preliminary development costs of the University's estate which explains some of the year on year reduction. The University is extremely focused on delivering value for money for students and constantly reviews expenditure to drive down costs. There were increases in security and cleaning costs due to the full implementation of the London living wage, an increase in both business rates and utility bills and an increase in the cost of Scholarships as the University invests in Research activities.



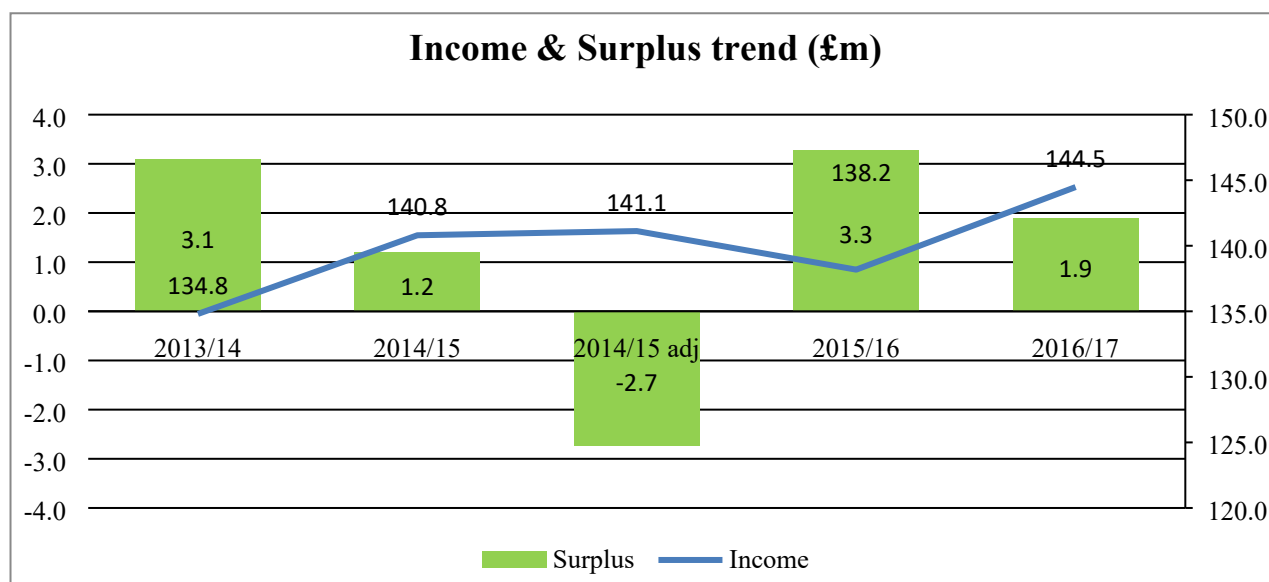
There were no changes to the University's Fixed assets. There were no asset disposals.

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Financial trend analysis

2014/15 adjusted for FRS 102 adjustments



Income has grown by 8% since 2013/14. There have been large decreases in funding grants but this has been offset by larger tuition fees as the University expands student numbers. The University has also seen growth in Post Graduate and International tuition fees and a growth in Transnational Education Income. There has been significant growth in Research income as the University prepares for the REF in 2020 and significant growth in income from Enterprise activities which led to the University being recognised with the Entrepreneurial University of the Year at the Times Higher Education Awards in 2016.

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

Subsidiaries

South Bank University Enterprises Limited (SBUEL) provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL donated £nil in gift aid to the University (2017: £nil).

SBUEL is fully consolidated into the Group accounts.

Going Concern

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

2017/18 has been a successful year with income growth of 0.5% to £145.3m, building on earlier re-structuring and investment for future success. Full time undergraduate recruitment remained challenging but this was offset by increases in postgraduate and overseas TNE income and increases in research & enterprise activity. A financial surplus of £1.5m is reported, in line with the approved budget, as a result of continued sound financial management and effective cost control. This is after accounting for the re-structure costs of £1.9m and a year on year increase in pension service charge of £1.7m.

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A budget surplus of £1.5m has been approved for 2018/19, reflecting the need for continued surplus whilst maintaining appropriate levels of investment spend to drive the necessary corporate strategic outcomes. Recruitment has been positive this year, with new student enrolments expected to exceed targets, despite continued increased levels of market competition. Whilst progression and retention have shown a slight deterioration, we are confident that we can deliver to the agreed budget surplus.

The University continues to generate positive cash inflows from operating activities and has a strong cash position with £50.2m cash and bank deposits at 31 July 2018.

Public Benefit statement

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

Charity Commission Guidance on Public Benefit

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

Charitable Objects

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

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

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

The University advances education for the public benefit by:

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

The University promotes research and the dissemination of knowledge by:

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

The University provides student support and services for students through:

- wellbeing services, including support for students with disabilities and mental health issues. This includes a counselling service;
- student advice and guidance services via a one-stop-shop and student helpdesks across both campuses;
- employability services, supporting students who are working while studying, helping students source work experience and graduate opportunities;

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- money advice, including debt management;
- specific support services for particular groups of students, including care leavers, carers and pregnant students;
- mentoring and coaching;
- providing student accommodation;
- funding some individual students' education through bursaries and fee waivers;
- providing funds to London South Bank University Students' Union (LSBUSU).

Beneficiaries

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

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

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

The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £761,457 on 31 July 2017 (2016: £755,551). The funds are managed with the aim of securing capital growth and an annual income. In 2016/17 the income received was £24,427 (2015/16: £18,420). The income is allocated for distribution by the University's Hardship Panel to students in financial difficulty.

The University's curriculum is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. In 2016, 84.5% of graduates were in graduate employment and/or further study 6 months after leaving (DLHE survey results 2016/17). Over 7,746 LSBU students are sponsored to study by their employers, including NHS funded students.

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

Disclosure of information to auditors

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

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

Auditor

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

Directors' report

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

Report and financial statements 2018 Strategic Report

Approval

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

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

Date

Draft at 25/10/2018

Statement of Responsibilities of the Board of Governors

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

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

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

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

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

The Board of Governors has taken reasonable steps to:

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

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

Signed on behalf of the Board of Governors by:

Draft at 25/10/2018

Mr Jeremy Cope

Chair of the Board of Governors
22 November 2018

Corporate Governance Statement

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

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

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

Governance and Legal Structure

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

Compliance with the CUC Higher Education Code of Governance

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

Decision making

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

The Board has agreed a Schedule of Matters Reserved which establishes the responsibilities of the Board and its committees. The Board, and where appropriate, its committees make decisions by consensus at meetings or electronically (2.4). The schedule is reviewed on an annual basis, the last occasion being 12th October 2017.

During the year, the Board met five times (five times in 2016/17). In addition, the Board held two strategy days (two in 2016/17) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review there was an 82% (2016/17: 83%) attendance rate at Board meetings.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page 1 (1.2). The board receives an annual reminder on charity commission guidance (most recently, 23rd November 2017). It receives assurance that the institution meets the requirements of the Memorandum of Assurance and Accountability with HEFCE (from 1 April 2018 the Financial Memorandum with OfS) through the Audit Committee (1.3).

Compliance

Corporate Governance Statement

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

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

The Board receives annual reports on the institution's compliance with key legislations, for example health and safety; equality, diversity and inclusion; and otherwise by exception reporting (3.6). In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. Material adverse change is reported to HEFCE (from 1st April 2018 through OfS) when discovered and annually as part of the Accountability and Assurance statement (3.6). [No material adverse changes were reported to HEFCE during the year – to confirm at November 2018].

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

Sustainability

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

Academic governance

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

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

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

External activities

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

During the year under review the Board has progressed negotiations with Lambeth College about joining the LSBU group. Appropriate due diligence has been carried out and will be used to inform the final decision in 2018/19.

Equality and Diversity

The Board receives an annual report on equality, diversity and inclusion, and compliance with the public sector equality duty under the Equality Act 2010. The Board also receives progress updates against agreed Equality, Diversity and Inclusion action plans at the institution.

The Board regularly reviews its composition and considers equality and diversity in its appointments. The Nomination Committee has agreed that in the event of underrepresentation of any group, targeted recruitment would be used to address this (6.3, 6.4, 6.5).

A recruitment company that specialises in equality and diversity has been appointed to help improve the diversity of the Board.

Structures and processes

The Board when fully complemented consists of 18 governors: 13 independent governors (7.1), the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the

Corporate Governance Statement

period are listed on page (5). The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association. Staff and student governors were not excluded from any items at Board meetings during the year (1.4).

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

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

Committees

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

The following principal committees met throughout the year:

- Appointments Committee
- Audit Committee
- Finance, Planning and Resources Committee
- Major Projects and Investment Committee
- Nomination Committee
- Remuneration Committee.

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

Membership of the Audit Committee is four independent governors (3.12), and a co-opted external member (who retired in February 2018). The Audit Committee produces an annual report for the Board, following HEFCE (OfS since 1 April 2018) requirements (3.4, 3.5). The Audit Committee reviews the effectiveness of the systems of control in place across the institution. The Audit Committee receives an annual report on the quality of data submitted to external bodies (3.8, 3.10).

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

Further details on the work of the committee are included in the annual remuneration report below (at pages 23 to 27)

The Board completed an interim effectiveness review in July 2017. Following this review no major changes to the Board's structure have been proposed.

The Board plans to undertake a full effectiveness review during 2018/19 following the guidance in the CUC Code.

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Douglas Denham St Pinnock (from 1 st August 2017)

Corporate Governance Statement

Head of Institution and Accountable Officer (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Audit Committee	Steve Balmont
Chair of Finance, Planning and Resources Committee	Hilary McCallion (From 1 st August 2017)
Chair of Major Projects and Investment Committee	Douglas Denham St Pinnock
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Mee Ling Ng
University Secretary and Clerk to the Board of Governors	James Stevenson

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

Statement of Primary Responsibilities of the Board of Governors

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

1. To approve the educational character, mission and strategic vision of the institution, together with its long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate, personnel and health and safety management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of quality assurance and systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself, and to carry out such reviews at appropriate intervals.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard and promote the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

Corporate Governance Statement

10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution or its students.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice to the Board is available to enable this to happen.

Statement on Internal Control

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2017 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

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

Corporate Governance Statement

- An organisation-wide register of key corporate risks is maintained, together with individual risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- Senior Managers meet regularly to consider risk, assess the current exposure and keep up to date the record of key corporate risks facing the University;
- A network of risk champions exists to support risk management activity in all schools and professional service groups; Update training is provided as required to support delivery;
- Formal risk management and internal control procedures have been embedded within ongoing operations. Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in January 2017. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement. Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Draft at 25/10/2018

The Corporate Governance and Internal Control statements were approved by the Board of Governors on 22 November 2018 and were signed on its behalf by:

Draft at 25/10/2018

Mr Jeremy Cope

*Chair of the Board of Governors
22 November 2018*

Annual Remuneration Report

Introduction

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

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

During the year, the Board adopted the CUC Remuneration Code and approved the senior remuneration policy.

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

Terms of Reference:

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

Committee Membership 2017/18

The members of the committee for the year 2017/18 were Mee Ling Ng (Committee Chair), Jerry Cope (Chair of the Board), Carol Hui (resigned 20 February 2018), Michael Cutbill (appointed 1 April 2018) and Douglas Denham St Pinnock. All members of the committee are independent governors. No members of the executive are members of the committee. The Vice Chancellor is invited to committee meetings where appropriate, such as to make recommendations on pay award and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

Committee meetings 2017/18

The committee met twice in the 2017/18 academic year.

- 23 November 2017
- 12 July 2018

The committee also met on 6 November 2018 to consider Senior Executive performance and remuneration for 2017/18.

Approach to remuneration of all staff in 2017/18 and for 1 August 2018 onward

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

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

At LSBU, we create an environment which attracts and fosters the very best staff, and in which all staff, whatever their role, feel valued and proud of the University and take appropriate responsibility for its development. Embracing and

integrating equality and diversity and inclusion is fundamental to our success and growth as an institution of higher education.

Senior Remuneration

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

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

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

Benchmarking

An independent review of the benchmark set for Senior Executive salaries was carried out by Korn Ferry in September 2018 and a revised benchmark set approved by the Committee at its meeting of 6 November 2018. The Hay Group Guide Chart Profile Method of job evaluation was used to set the benchmark for all Executive level jobs and salaries.

The benchmark set for Senior Executive salaries is:

[to be filled in following Korn Ferry report and confirmation from Rem Co]

Institutional performance, 2017/18

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

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

Vice Chancellor performance, 2017/18

This assessment of Vice Chancellor performance is for academic year 2017/18. The bonus awarded based on performance for academic year 2017/18 will be paid in financial year 2018/19 and appear in next year's accounts.

The Vice Chancellor's performance was reviewed by the Chair of the Board as part of the appraisal process.

[Draft to be finalised following the Remuneration Committee meeting of 6 November 2018 - Looking at key results both against key KPIs for the University, which the Vice Chancellor oversees, and against the specific personal objectives (marked *) set for the Vice Chancellor by the Remuneration Committee:

- *The finances remain sound and meeting target in a difficult environment;
- Recruitment in 2018, particularly through clearing, has been above expectation, where others have struggled, thanks to the growing reputation of the University;
- Progression rates were disappointingly below target;
- *League table rankings have generally improved above the average improvement by comparators; a TEF silver has been achieved;
- *The transaction for Lambeth College, as part of the family of educational Institutions strategy, has been all but secured, meeting the Board's 'red lines';
- LSBU secured the Times employability award for an impressive 2nd consecutive year;
- Costs have been reduced to counterbalance lower student numbers in 2017/18, and invest in key areas;
- *The staff engagement score improved, and staff networks and diversity issues were progressed to plan;
- *Progress has been made on the Estates strategy with a masterplan approved by the Board, but some business cases are not yet in place;
- There has been strong and confident leadership both internally and externally, including representing LSBU to key stakeholders;

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

During the year under review the Vice Chancellor was awarded a bonus of [£x – to be approved by the remuneration committee meeting of 6 November 2018] (a bonus of £18k was awarded for performance in 2016/17).

Performance related pay, 2017/18

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

During the year, the University met its overall financial target and seven members of the executive were eligible to receive a bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved [seven] (including the Vice Chancellor) bonuses totalling [£x] (for 2016/17 performance seven bonuses were awarded totalling £61k).

There is a separate performance related pay scheme for Senior Managers (grades A – B. Bonus of up to 3% of salary) and Senior Leaders (grade C. Bonus of up to 10% of salary). Staff eligible for performance related pay receive annual inflation uplifts to their base pay. Based on performance during 2017/18 x bonuses were awarded totalling £x (previous year: 15 bonuses were awarded totalling £65k).

Total Remuneration: Vice Chancellor

The table below sets out payments to the Vice Chancellor during 2017/18 with a comparison to 2016/17. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	2017-18	2016-17
	£'000	£'000
Salary	228	224
Performance related pay	18	18
Taxable benefits	10	12
Subtotal	256	254
Pension scheme contributions or payments in lieu of pension contributions	33	34
Total	289	288

During the year the governors (as Members in general meeting) approved the extension of a loan to the Vice Chancellor of £350k for a further five years to October 2023 (full details of the loan are included in note 8(E)). Included in taxable benefits is the value of the benefit to the Vice Chancellor of the loan.

Pay Multiple

The pay multiple of the Vice Chancellor's earnings against the median of all staff for the academic year 2017/18 is 6.17 for basic salary and 6.23 for total remuneration.

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

Year	Ratio – basic salary	Ratio – total remuneration
2017/18	6.17	6.23
2016/17	6.33	6.24
2015/16	6.17	6.25

External appointments, expenses and severance

LSBU's policy on the retention of income generated from external bodies is available online *[TO BE APPROVED by Remuneration committee 06/11/2018]*

In 2017/18 the Vice Chancellor donated royalties to the University's hardship fund. The Vice Chancellor did not undertake any external remunerated activity.

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

In 2017/18 the Vice Chancellor's expenses totalled £22k. £3k of this was payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. £18k relates to travel costs booked through the University's central travel buying team.

During the year, the Remuneration Committee approved a policy on severance arrangements.

Draft at 25/10/2018

Independent auditor's report to Board of Governors of London South Bank University

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of London South Bank University ("the University") for the year ended 31 July 2017 which comprise the University and its subsidiary, South Bank University Enterprises Limited and related notes, including the principle accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016/17 financial statements; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

Other information

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent University, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University's financial statements are not in agreement with the accounting records and returns; or

Draft at 25/10/2018

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Board of Governors responsibilities

As explained more fully in their statement set out on page 13, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

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

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

This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B of the Education Reform Act 1988 (*for post-1992 institutions*). Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Fleur Nieboer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
 15 Canada Square
 Canary Wharf
 London
 E14 5GL
 22 November 2018

**Consolidated and University Statement of Comprehensive
Income and Expenditure
Year ended 31 July 2018**

	Note	Consolidated		University	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Income					
Tuition fees and education contracts	1	106,536	109,119	106,536	109,119
Funding body grants	2	16,543	14,845	16,053	14,358
Research grants and contracts	3	3,739	3,089	3,311	2,866
Other income	4	17,708	16,910	15,195	15,106
Investment income	5	179	184	177	183
Total income before other grants and donations		144,706	144,147	141,272	141,632
Donations and endowments	6	596	332	596	332
Total income		145,302	144,479	141,868	141,964
Expenditure					
Staff costs	7	82,106	75,160	80,346	73,771
Other operating expenses	9	47,633	53,488	46,466	52,334
Depreciation and Amortisation	12,13	9,626	9,620	9,626	9,620
Interest and other finance costs	11	4,298	4,369	4,298	4,369
Total expenditure		143,663	142,637	140,736	140,094
Surplus before other gains and losses		1,563	1,842	1,133	1,870
Gains on investments	20	17	52	17	52
Surplus for the year		1,656	1,894	1,150	1,922
Actuarial gain in respect of pension schemes	26	19,083	11,715	19,083	11,715
Total comprehensive income /for the year		20,739	13,609	20,233	13,637
Represented by:					
Endowment comprehensive income for the year		17	52	17	52
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income / for the year		20,722	13,557	20,216	13,585
		20,739	13,609	20,233	13,637

All activities consist of continuing operations.

London South Bank University

	Note	Income and Expenditure Reserve		Revaluation Reserve	Total Reserves
		Endowment £'000	Unrestricted £'000	£'000	£'000
Consolidated					
Balance at 1 August 2016		754	47,243	27,969	75,966
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	1,842	-	1,842
Other comprehensive income / (expenditure)		52	11,715	-	11,767
Transfers between revaluation and income and expenditure reserve	21	-	587	(587)	-
Total comprehensive income / (expenditure) for the year		52	14,144	(587)	13,609
Balance at 1 August 2017		806	61,387	27,382	89,575
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	1,639	-	1,639
Other comprehensive income	26	17	19,083	-	19,100
Transfers between revaluation and income and expenditure reserve	21	-	660	(660)	-
Total Comprehensive income / (expenditure) for the year		17	21,382	(660)	20,739
Balance at 31 July 2018		823	82,769	26,722	110,314
University					
Balance at 1 August 2016		754	47,090	27,969	75,813
Surplus from the statement of comprehensive income and expenditure		-	1,870	-	1,870
Other comprehensive income / (expenditure)		52	11,715	-	11,767
Transfers between revaluation and income and expenditure reserve		-	587	(587)	-
Gift aid received			36		36
Total comprehensive income / (expenditure) for the year		52	14,208	(587)	13,673
Balance at 1 August 2017		806	61,298	27,382	89,486
Surplus from statement of other comprehensive income and expenditure		-	1,133	-	1,133
Other comprehensive income		17	19,083	-	19,100
Transfers between revaluation and income and expenditure reserve		-	660	(660)	-
Gift aid received		-	-	-	-
Total Comprehensive income / (expenditure) for the year		17	20,876	(660)	20,233
Balance at 31 July 2018		823	82,174	26,722	109,719

Consolidated and University Statement of Changes in Reserves

Draft at 25/10/2018

London South Bank University

Consolidated and University Balance sheets
As at 31 July 2018

	Notes	Consolidated		University	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Non-current assets					
Intangible assets	12	1,015	1,991	1,015	1,991
Tangible fixed assets	13	217,854	216,881	217,854	216,881
Investments	14	38	38	38	38
		<u>218,907</u>	<u>218,910</u>	<u>218,907</u>	<u>218,910</u>
Current assets					
Stocks		10	8	10	8
Trade and other receivables	15	19,408	18,378	19,023	18,135
Investments	22	11,573	16,620	11,573	16,620
Cash and cash equivalents	22	37,841	32,146	36,820	31,484
		<u>68,832</u>	<u>67,152</u>	<u>67,426</u>	<u>66,247</u>
Creditors: amounts falling due within one year	16	<u>(31,260)</u>	<u>(34,653)</u>	<u>(30,451)</u>	<u>(33,839)</u>
Net current assets		<u>37,572</u>	<u>32,499</u>	<u>36,975</u>	<u>32,408</u>
Total assets less current liabilities		<u>256,479</u>	<u>251,409</u>	<u>255,882</u>	<u>251,318</u>
Creditors: amounts falling due after more than one year	17	(45,422)	(48,056)	(45,422)	(48,056)
Provisions					
Pension provisions	19	(100,743)	(113,778)	(100,743)	(113,778)
Total net assets		<u>110,314</u>	<u>89,575</u>	<u>109,717</u>	<u>89,484</u>
Restricted reserves – endowment reserves	20	824	807	824	807
Unrestricted reserves Income and expenditure reserve		82,768	61,386	82,171	61,295
Revaluation reserve	21	26,722	27,382	26,722	27,382
Total Reserves		<u>110,314</u>	<u>89,575</u>	<u>109,717</u>	<u>89,484</u>

These financial statements were approved by the Board of Governors on 22 November 2018 and were signed and authorised on their behalf by:

London South Bank University

Consolidated Statement of Cash Flows Year ended 31 July 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
Surplus for the year		1,656	1,894
Adjustment for non cash items			
Amortisation / Depreciation	12,13	9,626	9,620
Investment income	5	(179)	(184)
Interest payable	11	4,298	4,369
Increase in stock		(2)	3
Increase in debtors	15	(1,030)	(3,422)
(Decrease) / increase in creditors	16	(4,678)	10,931
Pension costs less contributions payable	26	2,876	(145)
Adjustment for investment or financing activities			
Loss on disposal of assets	13	-	-
Investment income	5	22	21
Interest receivable	5	157	163
Net cash inflow from operating activities		12,746	1,388
Cashflows from investing activities			
Payment to acquire tangible fixed assets	13	(9,623)	(2,756)
Cash added to fixed term deposits	22	5,047	(155)
		(4,576)	(2,911)
Cashflows from financing activities			
Capital element of bank loan repayments		(1,347)	(1,325)
Interest element of bank loan repayments	11	(1,128)	(1,244)
		(2,475)	(2,569)
Increase in cash and cash equivalents during the year		5,695	(4,092)
Cash and Cash equivalents at the start of the year	22	32,146	36,238
Cash and Cash equivalents at the end of the year		37,841	32,146

Principal Accounting Policies

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

Basis of preparation

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

The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Board is satisfied that the Group has adequate resources to continue in operation for the foreseeable future, as described in more detail on page 10 of these accounts. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

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

Consolidation of accounts

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

The University Sponsors South Bank Academies, which operates The University Academy of Engineering South Bank and a University Technical College, Southbank Engineering UTC (opened September 2016). Although the University has representation on the Trust's Board and the local governing boards of the two schools, the Trustees and Governors act for the Trust or schools and not the University. The University does not gain direct benefits from its activities and the funds of South Bank Academies are restricted to its own purpose and will not be available to the creditors of the University, for example in the event of the University's insolvency. Furthermore, if South Bank Academies were to fail, the University would not receive its assets or reserves. Therefore the Accounts of South Bank Academies are not consolidated into the University Accounts.

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

Income recognition

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

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

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

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

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

Principal Accounting Policies

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

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

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

Intangible assets

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

Fixed assets

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

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

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

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

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

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

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

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

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

Principal Accounting Policies

Investments

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

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

Stocks

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

Pension costs

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

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

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

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

Employment benefits

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

Taxation status

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

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

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in

Principal Accounting Policies

periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Agency arrangements

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

Leases

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

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

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

Maintenance

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

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

Reserves

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

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

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

Cash flows and liquid resources

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

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

Financial instruments

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

Principal Accounting Policies

Judgements and estimates

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

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

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

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

Foreign currency translation

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

Provisions, contingent liabilities and contingent assets

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

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

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

Notes to the accounts
Year ended 31 July 2018

Consolidated and University

	2018		2017	
	£'000	£'000	£'000	£'000
1. Tuition fees and education contracts				
Full-time home and EU students	60,217		57,173	
Full-time international students	8,621		9,250	
Part-time students	13,198		12,373	
Other courses	1,925		1,916	
Strategic Health Authority education contracts	22,575		28,407	
	<u>106,536</u>		<u>109,119</u>	

	Consolidated		University	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
2. Funding body grants				
HEFCE recurrent grant	14,498	12,973	14,498	12,973
HEFCE Non recurrent grants				
Specific grants	665	487	175	-
Pension liabilities	318	240	318	240
Other grants	964	1,126	964	1,126
Teaching Agency grant	99	19	99	19
	<u>16,544</u>	<u>14,845</u>	<u>16,054</u>	<u>14,358</u>

	Consolidated		University	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
3. Research grants and contracts				
Research councils	1,768	1,667	1,340	1,444
UK based charities	242	80	242	79
European Commission	1,389	854	1,389	854
Other grants and contracts	208	345	208	345
Knowledge Transfer Partnerships	131	143	131	144
	<u>3,738</u>	<u>3,089</u>	<u>3,310</u>	<u>2,866</u>

	Consolidated		University	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
4. Other income				
Residence and catering income	10,514	11,716	10,514	11,716
Other income	7,194	5,194	4,681	3,390
	<u>17,708</u>	<u>16,910</u>	<u>15,195</u>	<u>15,106</u>

	Consolidated		University	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
5. Investment income				
Interest on short term investments	22	21	21	21
Endowment income and interest receivable	157	163	156	162
	<u>179</u>	<u>184</u>	<u>177</u>	<u>183</u>

Notes to the accounts
Year ended 31 July 2018

		Consolidated and University	
		2018	2017
		£'000	£'000
6. Donations and endowments			
Unrestricted donations		596	332
		<u>596</u>	<u>332</u>
7. Staff		Consolidated	
		2018	2017
Average staff numbers by major category:		No.	No.
Academic staff		769	766
Student support staff		107	117
Other support staff		544	491
		<u>1,420</u>	<u>1,374</u>
		Consolidated	
		2018	2017
		£'000	£'000
Costs:			
Wages and salaries		62,469	56,895
Social security costs		6,526	6,202
Employers' pension contributions		13,111	12,063
		<u>82,106</u>	<u>75,160</u>
		<u>80,345</u>	<u>73,771</u>

Staff costs for the year include costs arising from redundancies of £2m (£0.5m paid in the year and £1.5m provision) (2017 £0.6m).

Notes to the accounts
Year ended 31 July 2018

8. Remuneration of Board of Governors and higher paid employees

A. Governors

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

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

	2018	2017
	£'000	£'000
Salaries	400	402
Pension contributions or payment in lieu of pension contributions	57	58
	<hr/>	<hr/>
	457	460
	<hr/> <hr/>	<hr/> <hr/>

Draft at 25/10/2018

Notes to the accounts

Year ended 31 July 2018

Governors, who are also all trustees, are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2018 5 trustees were paid total expenses of £2,731 (2017: five trustees were paid total expenses of £3,095) for travel and subsistence.

B. Determining pay of senior staff

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

The Committee, in making its determination, considers remuneration levels in a number of comparable institutions, but also more widely in the Sector; it seeks to ensure, based on good performance, that remuneration in LSBU is competitive and comparable to those comparator Institutions. The Committee also considers as a key input the level of pay increase that has been made to staff generally. The Committee further considers a report on the performance of Senior post holders against individual measurable stretching objectives and may award bonuses of up to 10% for clear achievement of those objectives, but only providing the overall financial performance of the University has been met.

C. Emoluments of the Vice Chancellor

	2018	2017
	£'000	£'000
Salary	228	224
Bonus	18	18
Taxable benefits	10	12
Pension Scheme contributions or payments in lieu of pension contributions	33	34
Total emoluments and remuneration	<u>289</u>	<u>288</u>

The Vice Chancellor is the highest paid Governor. Included in taxable benefits is the value of the benefit to the Vice Chancellor of an interest free loan detailed in note 8(F).

The Vice Chancellors taxable benefit includes £8,750 interest benefit for the loan and £1,148 for medical care cover.

The Vice Chancellors basic salary is 6.17 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellors total remuneration salary is 6.23 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

D. Remuneration of other higher paid staff

Certain employees, including the Vice Chancellor, received basic salary (excluding pension contributions) in excess of £100,000 during the year. Five of these employees accrued benefits under defined benefit pension schemes during the year (2017:7). These employees are grouped as follows:

	2018	2017
	No.	No.
£115,000 to £119,999	-	1
£120,000 to £124,999	2	2
£125,000 to £129,999	2	-
£130,000 to £134,999	1	-

Notes to the accounts

Year ended 31 July 2018

£135,000 to £139,999	-	1
£140,000 to £144,999	1	1
£145,000 to £149,999	1	1
£150,000 to £154,999	-	1
£155,000 to £159,999	1	-
£220,000 to £224,999	-	1
£225,000 to £229,999	1	-
	9	8
	9	8

E. Key management personnel

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

	2018	2017
	£'000	£'000
Key management personnel	1,370	1,269
	1,370	1,269

F. Related party disclosures

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

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these accounts and therefore the University has taken exemption under FRS 102 not to disclose transactions between the SBUEL and the University.

There were no transactions during the year between London Knowledge Innovation Centre Limited (LKIC) or CVCP Properties PLC and the University.

During the year the LSBU Students' Union received financial support from the University of £945,000 (2017: £855,000) net of services provided by the University. The President and the Union Council Chair of the LSBU Students' Union are members of the Board of Governors. The balance between the two parties at the year-end was £nil (2017: £nil).

A member of the Board, Hilary McCallion, and the Vice Chancellor are both visiting professors at Kings College London. During the year the University paid Kings College London £74,100 (2017: £78,844) in respect of seconded staff.

A member of the Board, Jeremy Cope, is a board member of the Universities and Colleges Employer Association (UCEA). During the year the University paid £20,832 (2017: £15,236) in respect of membership and conference fees.

A member of the Board, Duncan Brown, is a retired partner of PriceWaterhouseCoopers LLP (PWC) and receives an annuity from that organization. During the year the University paid PWC £164,625 in respect of internal audit and professional fees.

The Vice Chancellor of the University, Professor David Phoenix and the University are both members of the board of South Bank Academies. During the year the University charged The Trust £6,000 for clerking services. During the year South Bank Academies paid the University £18,000 (2017 £nil) in reimbursement of actual expenses incurred.

The Vice Chancellor of the University received an interest free loan in October 2013 as part of a relocation package agreed for him. Professor David Phoenix is an employee of the University. The amount of the loan was £350,000 and was solely to contribute to a specified property. The loan was originally repayable on 30 October 2018 and has been subject to an extension until 30 October 2023 (or later as agreed). As of 31 July 2018 the outstanding balance

Notes to the accounts

Year ended 31 July 2018

was £350,000. The loan is fully secured by way of legal mortgage on the property in favour of London South Bank University.

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
9. Other operating expenses				
Academic	10,275	11,971	10,275	11,971
Academic support	7,254	9,148	7,254	9,148
Other support	6,696	7,292	6,696	7,292
Premises	13,032	15,636	13,032	15,636
Residence and catering	3,981	4,644	3,981	4,644
Other expenses	6,395	4,797	5,228	3,643
	<u>47,633</u>	<u>53,488</u>	<u>46,466</u>	<u>52,334</u>

Group other operating expenses are stated after charging:

	2018 £'000	2017 £'000
Auditors' remuneration		
<i>External audit</i> * KPMG LLP	53	63
<i>Internal audit</i> ** PricewaterhouseCoopers LLP	114	93
<i>Other services</i> * KPMG LLP	6	4
Rentals under operating leases Plant and machinery	168	217
	<u>168</u>	<u>217</u>

* Includes £53,198 attributable to the University (2017: £59,280)

** All attributable to the University

10. Taxation

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

The amount of the asset not recognised is £xx (2017: 7.7k). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	Consolidated and University	
	2018 £'000	2017 £'000
11. Interest and other finance costs		
Loans Interest	1,128	1,244
Net charge on pension scheme	3,170	3,125
	<u>4,298</u>	<u>4,369</u>

Notes to the accounts
Year ended 31 July 2018

12. Intangible Assets
Software

	Consolidated and University		
	Software £'000	Assets in Course of Construction £'000	Total Intangible Assets £'000
Cost or Valuation			
At August 2017	4,090	38	4,128
Additions	-	62	62
Transfer	50	(50)	-
At 31 July 2018	4,140	50	4,190
Amortisation Charge			
At August 2017	(2,100)		(2,100)
Charge for the year	(1,025)		(1,025)
At 31 July 2018	(3,125)	-	(3,125)
Net Book Value			
At 31 July 2018	1,015	50	1,065
At 31 July 2017	1,991	38	2,029

Notes to the accounts

Year ended 31 July 2018

13. Tangible Fixed assets (Consolidated and University)

	Freehold Land £'000	Freehold Buildings £'000	Long Leasehold land and buildings £'000	Fixtures, Fittings and Equipment £'000	Short Leasehold land and buildings £'000	Assets in Course of Construction £'000	Total Fixed Assets Total £'000
Cost or Valuation							
At 1 August 2017	64,368	165,026	47,210	46,680	44	12,784	336,112
Additions	-	-	-	-	-	9,561	9,561
Disposal				(944)			(944)
Transfers		2,084	-	1,170	-	(3,254)	-
At 31 July 2018	<u>64,368</u>	<u>167,110</u>	<u>47,210</u>	<u>46,906</u>	<u>44</u>	<u>19,091</u>	<u>344,729</u>
Depreciation							
At 1 August 2017	-	(54,614)	(29,339)	(35,279)	(37)	-	(119,269)
Charge for the year	-	(4,485)	(1,281)	(2,835)	-	-	(8,601)
Disposals				944			944
At 31 July 2018	<u>-</u>	<u>(59,099)</u>	<u>(30,620)</u>	<u>(37,170)</u>	<u>(37)</u>	<u>-</u>	<u>(126,926)</u>
Net book value							
At 31 July 2018	<u>64,368</u>	<u>108,013</u>	<u>16,589</u>	<u>9,736</u>	<u>7</u>	<u>19,091</u>	<u>217,804</u>
At 31 July 2017	<u>64,368</u>	<u>110,413</u>	<u>17,870</u>	<u>11,401</u>	<u>7</u>	<u>12,784</u>	<u>216,843</u>

Software, previously reported as fixtures, fittings and equipment, are now shown in note 12 as intangible assets.

14. Investments

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
CVCP Properties plc	<u>38</u>	<u>38</u>	<u>38</u>	<u>38</u>

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

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

South Bank University Enterprises Limited

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

London Knowledge Innovation Centre Limited

SBUEL held 50% of the issued £1 shares of London Knowledge Innovation Centre Limited (LKIC), a company formed to provide serviced office space and other services to start-up companies. The share of the net assets and profit/(loss) of LKIC have not been included in the consolidated accounts as they are immaterial. The profit/(loss) and net assets of LKIC were both £nil for the period ended 31 July 2018 (2017 : £nil). The company dissolved on 12 September 2017.

Other investments

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

Notes to the accounts
Year ended 31 July 2018

15. Debtors: amounts falling due within one year	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade debtors	14,453	13,684	14,072	12,967
Amounts owed by group undertakings	-	-	356	664
Other debtors	1,255	278	1,253	275
Prepayments and accrued income	3,349	4,066	2,991	3,879
Total debtors due within one year	19,057	18,028	18,672	17,785
Debtors: amounts falling due after one year: amounts owed by related parties (note 8)	350	350	350	350
	19,407	18,378	19,241	18,135

16. Creditors: amounts falling due within one year	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank and other loans	1,367	1,347	1,367	1,347
Trade creditors	1,677	1,586	1,661	1,586
Other creditors	1,582	1,934	1,449	1,844
Social security and other taxation payable	1,544	1,481	1,544	1,481
Accruals and deferred income	25,090	28,305	24,430	27,581
	31,260	34,653	30,451	33,839

17. Creditors: amounts falling due after more than one year	Consolidated and University	
	2018 £'000	2017 £'000
Bank and other loans	22,895	24,262
Deferred income	22,527	23,794
	45,422	48,056

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

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Government	7,818	8,584	7,492	8,178
Non government	2,603	2,717	2,448	2,619
Capital grants	23,158	24,122	23,158	24,122
	33,579	35,423	33,098	34,919

Notes to the accounts
Year ended 31 July 2018

18. Borrowings

Consolidated and University

Bank loans and finance leases are repayable as follows:

Due in less than one year (note 16)

Due between one and two years

Due between two and five years

Due after five years

Total due after one year (note 17)

	2018	2017
	£'000	£'000
	1,367	1,347
	1,383	1,367
	4,156	4,079
	17,356	18,816
	22,895	24,262
	<u>24,262</u>	<u>25,609</u>

Details of bank basic loans

Lender	Term	Interest rate	Security	2018	2017
				£'000	£'000
Barclays Bank	25 years to 2032	5.67% fixed	} David Bomberg House and McLaren House	4,197	4,508
Barclays Bank	To April 2029	5.25 % fixed		5,000	5,000
Barclays Bank	23.25 years to 2032	5.54% fixed		7,291	7,653
Barclays Bank	23 years to 2032	0.225% over Libor		4,083	4,380
Allied Irish Bank	26.5 years to 2027	6.67% Fixed	Dante Road Halls	3,491	3,868
Salix	Variable	Interest free	Unsecured	200	200
				<u>24,262</u>	<u>25,609</u>

19. Provisions for liabilities (Consolidated and University)

	USS pension	LPFA pension	Total
	£'000	£'000	£'000
Balance at 1 August 2017	1,029	112,749	113,778
Utilised during the year	-	(5,660)	(5,660)
Charged to comprehensive income and expenditure	(52)	(7,324)	(7,376)
Balance at 31 July 2018	<u>977</u>	<u>99,765</u>	<u>100,742</u>

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

20. Restricted reserves

Endowments Consolidated and University

	Restricted Permanent	Restricted Expendable	2018 Total	2017 Total
	£'000	£'000	£'000	£'000
Balance at 1 August	678	128	807	755
Increase in market value of investments	14	3	17	52
Balance at 31 July	<u>692</u>	<u>131</u>	<u>824</u>	<u>807</u>

Notes to the accounts
Year ended 31 July 2018

21. Unrestricted reserves	Consolidated and University	
	2018	2017
	£'000	£'000
Revaluation reserve		
Balance at 1 August	(27,382)	(27,969)
Transfer to income and expenditure reserves being excess depreciation on revalued assets	660	587
Balance at 31 July	(26,722)	(27,382)

22. Cash and cash equivalents	At 1 Aug	Cashflows	At 31 July
	2017		2018
	£'000	£'000	£'000
Consolidated			
Investments	16,620	(5,047)	11,573
Cash at bank and on deposit	32,146	5,695	37,841
Balance at 31 July	48,766	648	49,414

Investments comprise of funds held in fixed term deposits for periods not exceeding three months at 31 July 2018. Cash and cash equivalents comprise funds held in bank and on deposit not exceeding 3 months.

23. Capital commitments	Consolidated and University	
	2018	2017
	£'000	£'000
Commitments contracted at 31 July	6,941	4,249

24. Lease obligations		
At 31 July 2018 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:		
	2018	2017
	£'000	£'000
Expiring within two and five years	-	17
Expiring in over five years	470	481
	470	498

Notes to the accounts

Year ended 31 July 2018

25. Amounts disbursed as agent - Teacher Training Bursaries

	2018	2017
	£'000	£'000
Balance at 1 August	3	14
Funding council grant	23	142
Disbursed to students	(36)	(153)
	<hr/>	<hr/>
Balance at 31 July	(10)	3
	<hr/> <hr/>	<hr/> <hr/>

- Apprenticeship Employer Incentive Payments

	2018	2017
	£'000	£'000
Balance at 1 August	-	-
Funds received	12	-
Disbursed to employers	(12)	-
Balance at 31 July	-	-

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

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

26. Pension arrangements

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

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

A. The Teachers' Pension Scheme

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

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

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

The last valuation of the TPS was as of 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost CAP) Directions 2014. The valuation report was published by the Department on 9 June 2014. The Key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;

Notes to the accounts

Year ended 31 July 2018

- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay;
- actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

At 31 July 2018 the University had 899 active members participating in the scheme. During the year contributions were paid by the University and charged to the Income and Expenditure account at a current rate of 16.48% (2017: 16.48%) of salaries and the University's contribution to the TPS for 2018 was £4,294,274 (2017: £4,171,742). Employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

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

B. The Universities Superannuation Scheme

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

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

The latest available complete actuarial valuation of the Retirement Income builder section of the scheme is 31 March 2014., which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet complete.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 scheme valuation is complete.

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

	31 March 2018	31 March 2017
Discount Rate	2.6%	2.6%
Price inflation and pension increases (CPI)	2.0%	2.4%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

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

Notes to the accounts

Year ended 31 July 2018

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

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme Assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

At 31 July 2018 the University had 42 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £513,726 (2017: £599,508) with an employer contribution rates of 18% (2017: 18%).

C. The London Pension Fund

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

A full triennial valuation was carried out by the scheme's actuary Barnett Waddingham as at 31 March 2016 with the valuation results taking into account changes to the scheme from 1 April 2017. The results showed the market value of the Fund's assets attributable to the University as £92.17m. The actuarial value of those assets represented 69% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases. Employer contribution rates effective from 1 April 2018 are 12.7% of pensionable salaries to cover the cost of future service plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period of 17 years. During the year ending 1 April 2018 this payment amounted to £2,022,000.

At 31 July 2018 the University had 821 active members participating in the scheme.

Pension costs under FRS 102

For accounting purposes the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the annualised yield on the iBoxx AA rated over 15 year corporate bond index. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the contribution rates set by the trustees of the scheme. The principal assumptions used by the actuary were:

	31 July 2018 % per annum	31 July 2017 % per annum
Salary increases	3.85%	4.2%
Pension and price increases	2.35%	2.7%
Discount rate	2.65%	2.7%

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

Notes to the accounts

Year ended 31 July 2018

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

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

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

Life expectancy

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

	Males Years	Females Years
Current pensioners	21.3	24.3
Future pensioners	23.7	26.5

Fund assets

For the year ending 31 July 2016 a single expected rate of return of 5.0% has been used to determine the charge to the statement of comprehensive income and expenditure for the year (2015: 5.8%). Comparative figures for the year ending 31 July 2015 show the expected returns based on the long-term future expected investment return for each asset class as at the beginning of that period as follows:

	Fair value as at 31 July 2018 £'000	Fair value as at 31 July 2017 £'000
Equities	87,224	82,009
Target return portfolio	31,847	27,749
Cash	6,599	9,273
Infrastructure	7,155	6,028
Property	11,044	8,712
Total fair value of assets	<u>143,869</u>	<u>133,771</u>

Net pension liability

Notes to the accounts

Year ended 31 July 2018

The following amounts at 31 July related to London South Bank University measured in accordance with the requirements of FRS 102:

	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Fair value of Employer Assets	143,869	133,771	112,066	105,534	99,726
Present value of funded obligations	(232,750)	(234,955)	(221,698)	(182,439)	(164,260)
Net underfunding in funded plans	(88,881)	(101,184)	(109,632)	(76,905)	(64,534)
Present value of unfunded obligations	(10,884)	(11,565)	(11,868)	(11,852)	(11,968)
Net Pension Liability	<u>(99,765)</u>	<u>(112,749)</u>	<u>(121,500)</u>	<u>(88,757)</u>	<u>(76,502)</u>

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

Analysis of the amount included in staff costs for the year

	2018	2017
	£'000	£'000
Service cost	8,616	6,985
Enhancements to former employees	318	240
Total operating charge	<u>8,934</u>	<u>7,225</u>

Analysis of the amount included in interest payable for the year

	2018	2017
	£'000	£'000
Interest on the defined liability (asset)	2,969	2,953
Administration expenses	174	146
Total interest charge	<u>3,143</u>	<u>3,099</u>

Analysis of the amount recognised in Other Comprehensive Income

	2018	2017
	£'000	£'000
Return on fund assets in excess of interest	4,524	14,351
Other actuarial gains on assets	-	2,164
Change in financial assumptions	14,543	(14,972)
Change in demographic assumptions	-	3,550
Experience gains and losses on defined benefit obligation	16	6,622
Remeasurement of the net assets / (defined liability)	<u>19,083</u>	<u>11,715</u>

Notes to the accounts

Year ended 31 July 2018

Analysis of movement in the present value of scheme liabilities

	2018	2017
	£'000	£'000
At 1 August	246,520	233,566
Movement in the year:		
Current service cost	8,488	6,810
Interest cost	6,609	5,786
Changes in financial assumptions	(14,543)	14,972
Change in demographic assumptions	-	(3,550)
Experience loss / (gain) in defined benefit obligation	(16)	(6,622)
Past service costs, including curtailments	128	175
Estimated benefits paid net of transfers in	(4,513)	(5,429)
Contributions by scheme participants	1,697	1,548
Unfunded pension payments	(736)	(736)
	<u>243,643</u>	<u>246,520</u>
At 31 July	<u>243,643</u>	<u>246,520</u>

Analysis of movement in the fair value of scheme assets

	2018	2017
	£'000	£'000
At 1 August	133,771	112,066
Interest on assets	3,640	2,833
Return on assets less interest	4,524	14,351
Other actuarial gains	-	2,164
Administration expenses	(174)	(146)
Contributions paid	7,357	8,668
Estimated benefits paid plus unfunded net of transfers in	(5,249)	(6,165)
	<u>143,869</u>	<u>133,771</u>
At 31 July	<u>143,869</u>	<u>133,771</u>

The projected pension expense for the year to 31 July 2019 is £10,530.

D. London South Bank University Defined Contribution Scheme

The University provides a defined contribution pension scheme through Aviva for employees of London South Bank University Enterprises Limited (SBUEL). At 31 July 2018 the University had 23 members participating in the scheme. The University's contribution to the Aviva scheme for 2018 was £89,516 (2017: £77,257) and employers contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2018 were £7,373 (2017: £7,672).

27. Post Balance Sheet Events

In August 2018 the Minister of State for Education approved Lambeth College's decision to join the LSBU Family of Institutions and it is expected that Parliament will ratify this decision with Lambeth College joining the group on 31 January 2019. The College will be a wholly owned subsidiary of London South Bank University with its results consolidated into those of the University from that date.

	CONFIDENTIAL
Paper title:	Audit Committee Annual Report
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	James Stevenson, University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Approval
Recommendation:	The committee is requested to review and approve its annual report.

Executive Summary

Introduction

The Audit Committee is required under the Financial Memorandum with HEFCE / OfS to produce an annual report of the committee to the Board of Governors and the Accountable Officer (the Vice Chancellor). The report will also be submitted to OfS in December 2018.

Guidance from OfS is that it must include any significant issues and should be considered by the Board before approval of the accounts. It must also include the committee's opinions on the adequacy and effectiveness of LSBU's arrangements for the following:

- Risk management, control and governance;
- Economy, efficiency and effectiveness (value for money);
- Management and quality assurance of data submitted to HESA and to HEFCE/OfS, SLC and other funding bodies.

Draft Opinions

Draft opinions (to be approved by the Audit Committee) for these areas have been included at the end of the report and are set out below.

1. The Committee's opinion on the institution's risk management, control and governance is that these arrangements are adequate and effective.

2. The Committee's opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective.
3. The Committee's opinion on the management and quality assurance of data submitted to HESA and HEFCE (OfS from 1 April 2018) is that the University has adequate assurance.

Recommendations

Audit Committee is requested to review and approve its annual report.

Annual Report of the Audit Committee to the Board of Governors and the Accountable Officer 2017/18

Executive summary

During the year to 31 July 2018, the Audit Committee was chaired by Steve Balmont and met four times.

Matters completed by the Committee for the year 2017/18 include:

- review and clearance of the University's annual report and accounts for 2017/18 (paragraph 8);
- approval of the plan for PwC's internal audit review work for the year (paragraph 12);
- at each meeting, detailed consideration of PwC's internal audit reports (paragraph 12);
- three meetings with PwC and four meetings with KPMG in the absence of all University staff;
- consideration of the annual internal audit report (paragraph 14);
- regular review of the corporate risk framework (paragraph 19);
- approval of a statement of internal control (paragraph 31).

Introduction

1. This report covers the financial and academic year from 1 August 2017 to 31 July 2018 and includes any significant issues up to the date of the signing of this report and consideration of the financial statements for the year.
2. No member of the Audit Committee has, or has had during the year, a direct role in the management of the University. All members of the Committee are asked to declare any interests in any item of business on the agenda at each meeting.
3. During 2017/18, the Audit Committee was chaired by Steve Balmont, an independent governor. Other members of the Committee during the year were: Mee Ling Ng, Shachi Blakemore, Duncan Brown and independent co-optee, Roy Waight (resigned 12 January 2018). The Audit Committee considers it has individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively.
4. All members of the Committee are independent of management. James Stevenson, University Secretary & Clerk to the Board, served as secretary to the Committee throughout the year.
5. The Committee held four business meetings during the financial year to 31 July 2018. The Vice Chancellor, Chief Financial Officer and other members of the Executive were present. The internal auditors and the external auditors were present at all four meetings. For the financial & academic year 2018/19 the Committee will also hold four business meetings (October, November, February, and June.)
6. The Committee's terms of reference are reviewed annually in the autumn. The Committee has an agreed forward business plan which is used to plan its agendas during the year and is reviewed at each meeting.

External Audit

7. At its meeting of 7 June 2018, the Committee approved the external audit plan for the financial year 2018/19.
8. [At its meeting of 8 November 2018, the Committee considered and recommended to the Board for approval the draft financial statements for the year ended 31 July 2018. The Committee considered in detail an audit opinion from KPMG UK LLP. The Committee considered and recommended to the Board for approval the letter of

representation from the Board of Governors to KPMG UK LLP. – *to be confirmed 8 November 2018*]

9. [Performance indicators have been agreed against which the performance of the external auditors is measured. At its meeting of 8 November 2018, the Committee received a report on performance against indicators. The external auditors met all of the agreed performance indicators. – *to be confirmed*]
10. [On 8 November 2018, the Committee met KPMG UK LLP in the absence of any University employees to discuss the year end audit and other matters. *To be confirmed*]
11. Non-audit work provided by KPMG UK LLP for LSBU for the year ended 31 July 2018 is as follows:
 - £4,525.00 (SBUEL tax computation)

Internal Audit

12. The University's Internal Auditors for the year were PricewaterhouseCoopers (PwC). PwC worked to an internal audit plan of 125 days approved by the Committee at its meeting of 8 June 2017. 125 days of work were delivered. The Committee has received progress reports from PwC against the plan at every meeting.
13. During the year 10 internal audits were undertaken (2017: 8.) The Continuous Audit programme of key financial systems and student data was undertaken throughout the year.
14. The internal auditor's annual report for 2017/18 (dated September 2018) provided a positive assurance statement. The internal audit annual report found:

“Governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control and value for money arrangements which potentially put the achievement of objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control and value for money arrangements.”

15. "Our [PwC's] view on London South Bank University's operational control environment and governance arrangements is underpinned by the audit reviews that we have performed during the year. There has been one high risk rated report, two medium risk rated reports and two low risk rated reports prepared during the financial year... The findings from these reports are not considered significant in aggregate to the system of internal control. None of the individual assignments completed in 2017/18 have an overall classification of critical risk."
16. The Committee met PwC prior to three meetings (November 2017 excepted), in the absence of any of the University's employees.
17. Following a tender process in 2014/5, PwC was re-appointed as internal auditors from 1 August 2015. The contract is for three years with the possibility of a further two 12 month extensions, subject to performance.
18. Through a tender process conducted in Spring 2018, PwC has been selected as Change Partner for a major University IT project. PwC will continue to act as internal auditors until 31 July 2019: the role of Internal Auditor will be re-tendered in Spring 2019 and new internal auditors will take over on 1 August 2019.

Risk management, control and governance

19. The Committee reviewed the corporate risk register at each meeting. In addition, the committee annually reviews risk strategy and risk appetite and makes recommendations to the Board of Governors. The University's corporate risk framework is aligned to the Corporate Strategy.
20. During the year PwC undertook an internal audit on risk management controls which concluded the control environment remains "robust" and "stable" and there is a low risk to the University.
21. [At its meeting on 4 October 2018, the committee reviewed the effectiveness of internal controls and approved the full compliance statement for inclusion in the annual report and accounts. *To be confirmed*]

Economy, Efficiency and Effectiveness

22. PwC considers value for money as part of its work on LSBU's systems of internal control. Its assessment is that LSBU's value for money processes are in accordance with good practice.

23. Following changes to HEFCE guidance, a new mandatory Annual Efficiency Return was approved by the Accountable Officer. This report was ratified by the committee at its meeting of 8 February 2018.

Management and Quality Assurance of Data submitted to HESA, HEFCE and Student Loans Company

24. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.

25. Following two reports on the continuous auditing of student data controls during the year 2017/18, the Internal Auditors “have not identified any significant exceptions regarding student data controls, but we [PwC] have seen an increase in exceptions over the course of the year”.

HEFCE’s Assessment of Institutional Risk

26. In a letter dated 21 February 2018, the committee received HEFCE’s assessment of the University’s institutional risk by the Annual Provider Review (APR) Group. HEFCE’s statement was that LSBU was “not at higher risk” at this time. The regulator has given the same opinion each year since 2007.

Public Interest Disclosure

27. Under the “Speak Up” policy the University Secretary reported on Speak Up activity at every meeting of the Audit Committee. The Chair of the Audit Committee acts as the independent point of contact for anyone wishing to raise a Speak Up matter outside line management, and reviews the conclusion of any subsequent investigation.

28. Three matters were reported / reviewed through the Speak Up policy during the year.

- The first was an allegation of unfairness in a University process: following investigation, no evidence was found of deliberate malpractice.
- The second related to terms of employment in one of the University’s wholly owned subsidiaries. This case was reviewed and the allegation was not supported: the case has been closed.

- The third was an allegation of bullying in one of the University's subsidiary companies. The matter was investigated and judged not to be a Speak Up matter but one relating to the company's Grievance Policy to which it was referred.

Anti-Fraud

29. Under LSBU's anti-fraud policy the Chief Financial Officer reported on any fraud matters at every business meeting. One irregularity was reported to the Committee during 2017/18. At its meeting on 9 November 2017, the Committee was informed of an incident of Payroll fraud. Payments were subsequently made correctly to the employee and reported to the police through Action Fraud. HEFCE was not informed as the amounts were below the required threshold.

Audit Committee effectiveness assessment

30. The Audit Committee undertook an effectiveness review in May 2017 and received a report on the findings at its meeting on 8 June 2017. The recommendations from the report have been implemented. The next review is due in May 2019.

Opinion of the Audit Committee

Risk Management, Control and Governance

31. [The Committee's opinion on the institution's risk management, control and governance is that these arrangements are adequate and effective. *to be confirmed*]

32. This opinion is based on:

- the Internal Audit annual report for 2017/18 which gave the opinion that "we believe London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over risk management, control and governance".
- the Executive's detailed review of internal controls. This review was considered by the Audit Committee on 4 October 2018 – *to be confirmed*.

Economy, Efficiency and Effectiveness

33. The Committee's opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective - *to be confirmed*
34. This opinion is based on the Internal Audit annual report, 2017/18 which gave the opinion that "[PwC's] work indicates that LSBU has processes in place to ensure value for money which are in accordance with good practice". This is demonstrated through use of purchasing consortiums, adherence to financial controls, [*and an internal value for money working group.*]

Management and quality assurance of data submitted to HESA, HEFCE / OfS, and Student Loans Company

35. The Committee's opinion on the management and quality assurance of data submitted to HESA, HEFCE (OfS from 1 April 2018), and Student Loans Company is that the University has adequate assurance.
36. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.

[This annual report was approved by the Audit Committee on 8 November 2018 - *to be confirmed.*]

Signed
Steve Balmont
Chairman of the Audit Committee
22 November 2018

[*To be signed at the Board meeting of 22 November 2018*]

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	CONFIDENTIAL
Paper title:	Internal Controls - Annual Review of Effectiveness 2017/2018
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	John Baker, Corporate & Business Planning Manager
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note the attached review

Executive Summary

This paper presents the annual review of effectiveness of the University’s system of internal control, and underpins the internal control statement in the annual report and accounts. This paper is still in draft form at this stage, until the approval of the financial statements, and requires further confirmation that no changes are required. No significant issues have arisen since Audit committee reviewed the draft at its meeting in October 2018. The report has been updated to include the latest version of the corporate risk register.

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

- The Audit Committee is requested to note the report and approve the annual compliance statement

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**London
South Bank
University**

EST 1892

London South Bank University

System of Internal Controls

Annual Review of Effectiveness

Year ended 31 July 2018

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8. [Effectiveness of the University's external reporting processes](#)

Appendix

1. Draft [Statement on Internal Control](#)
2. [Corporate Risk Register Residual Likelihood Matrix](#) Overview, as at 21 September 2018

1. Executive Summary

This report documents the progress that has been made with regard to our system of internal control and to our risk management processes over the past year. A copy of the proposed statement of full compliance for the year ended 31 July 2018 is enclosed as Appendix 1.

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

Effective risk management:

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

In making this assessment, and in drafting the proposed full compliance statement for the period under review (for the year ended 31 July 2018, but considering all matters up to the date of approval of the financial statements) the following assurance sources have been taken into account:

HEFCE Risk Assessment & the Office for Students

- The most recent risk assessment, as reported by HEFCE in its letter to LSBU dated 21 February 2018, following their Annual Provider Review (and as reported to Board and Audit Committee at subsequent meetings), confirms that LSBU is “not at higher risk” at this time in relation to financial sustainability, good management and governance matters. The Executive is not aware of any issues which would currently change that rating.

- HEFCE also carried out an Assurance Review visit to LSBU in January 2017. The overall conclusion from that review was the highest assurance rating possible *“that, at this time we (HEFCE) are able to place reliance on the accountability information.”* No additional recommendations for improvement were included in the report.

Internal Audit

- The programme of internal audit work for the year ended 31 July 2018 was aligned to the corporate risk framework to provide assurance on the effectiveness of controls in key risk areas.
- The 2017/18 internal audit programme included a review of risk management. Based on the results, our risk processes were again categorised as low risk. Corporate Risk is formally reviewed three times a year by the University’s Strategic Risk Review Group and by every meeting of the Board of Governors and Audit Committee.
- The conclusions from internal audit work are discussed in more detail in section 5 of this report. There have been no reports with a critical risk rating this year, and no critical findings.
- The opinion of the internal auditors is that controls are ‘generally satisfactory, with some improvements required’.
- The Continuous Audit programme has identified no significant exceptions or control recommendations. Those findings identified are not considered to be significant in aggregate to the key financial control environment.
- Appropriate action is being taken to address weaknesses identified and to implement agreed actions.
- The annual internal audit report outlines one report with a high risk rating - which relates to international partnerships activity.
- Over the past three years, the number of findings has been increasing steadily but this is due to the risk profile having changed over the course of the three year period and the fact that different reviews are carried out each year which present different risk profiles. There have been more high risk but also low risk findings this year, with medium risk findings remaining consistent over the three year period. This demonstrates LSBU’s control environment remaining consistent and stable.
- The internal audit action implementation rate for 2017/18 was 64%, reduced from 97% last year and behind benchmark of 75%. This reflects both the low number of actions and the fact that 3 actions, flagged as outstanding, were substantially complete but either awaiting reporting to Board, or in the case of contract management training more detailed embedding during 2018/19. The reduced implementation rate is not evidence of lack of progress or commitment to implementation.

Internal Governance

- The Corporate Risk Register is aligned to the Corporate Strategy and is reviewed three times a year by the University's Strategic Risk Review Group and updated regularly outside of these meetings.
- The Strategic Risk review Group has a formal Terms of Reference and a wider composition, and meets formally at 3 points in each academic year.
- A new Corporate Risk Report has been developed for the Board, which has been re-structured to align with the categories of the Institution's Risk Appetite statement.
- This Corporate Risk Report has been submitted to every meeting of the Board of Governors
- The Corporate Risk Report & Risk Register has been submitted to every meeting of the Audit Committee
- Our opinion that LSBU's risk management arrangements continue to be strong is confirmed by the internal auditors in their annual review of risk management.
- There have been no major breakdowns in controls during the year. The annual internal audit opinion comments that the core financial control environment has remained robust during the year.
- Regular anti-fraud, bribery and corruption updates/reports have been provided to each meeting of the Audit Committee. No significant matters have occurred.
- No significant issues have arisen as a result of the University's external reporting processes.

2. Annual Review Process

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

The two elements of effective monitoring are:

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

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

3. Changes in the nature and extent of significant risks

The Corporate Risk Register has been subject to triannual review by the University's Strategic Risk Review Group and has been updated as appropriate. The Risk Register is aligned with the goals of the University's Corporate Strategy for 2020.

The current Corporate Risk Register residual risk matrix is attached at Appendix 2.

The main changes to the corporate risk register have been the addition of a new risks relating to Integrated service delivery across the LSBU Family, and the institutional responsiveness in the event of an emergency incident.

The principal risks facing the University relate to UK undergraduate student recruitment, income generation from Overseas and EU applicants, NHS Contract income, and increasing pension deficits / cost of pension provision.

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

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

Risk Management is a standing item on the agenda of Organisational Effectiveness Review meetings, and risk management and internal control are embedded into normal operating routines. Both are subject to regular management review and periodic audit review.

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

All matters relating to internal control are reported to the Executive, which also monitors carefully the implementation of agreed recommendations / actions for improvement, as reported through the Internal Audit Progress reports.

5. Results of internal audit work for 2017/18

The University's Internal Auditors for the period under review were PricewaterhouseCoopers LLP (PwC) and their opinion for 2017/18 is set out in their internal audit annual report.

This opinion is based on their assessment of whether the controls in place support the achievement of management's objectives, as set out in their Internal Audit Risk Assessment and Internal Audit Plan 2017/18.

They have completed the program of internal audit work for the financial year ended 31 July 2018, and their opinion is:

Our opinion is;

Generally satisfactory with some improvements required

Governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control and value for money arrangements which potentially put the achievement of objectives at risk.

Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control and value for money arrangements.

Basis of opinion

Our opinion is based on:

- All audits undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the organisation's audit needs have been covered to date

Commentary:

The key factors that contributed to our opinion are summarised as follows:

- Our view on London South Bank University's (LSBU's) operational control environment and governance arrangements is underpinned by the audit reviews that we have performed during the year. There has been one high risk rated report, two medium risk rated reports and two low risk rated reports prepared during the financial year. These ratings are the same as 2016/17, although different scope areas were reviewed. The findings from these reports are not considered significant in aggregate to the system of internal control. None of the individual assignments completed in 2017/18 have an overall classification of critical risk.
- We identified one high risk report this year, the International Partnerships Arrangements review. This area was selected for review due to the University's having nearly 200 arrangements with international partners and having been engaged in the process of terminating loss-making contracts, revising the process for entering new contracts and reviewing the financial performance of existing partnership arrangements. We identified two high risk findings where for 3 out of 4 partnerships sampled (75%), there was no evidence of a risk assessment or due diligence performed on the partnerships before signing the agreement. The second finding is related to the monitoring of partnerships, where LSBU does not keep a log of the checks completed to validate academic quality of international partners and additionally, LSBU only monitoring income generated from Partnerships rather than overall financial performance. Our high risk finding relates to specific issues and is not deemed to represent systemic threats to the entire control and governance environment.

- Our Continuous Auditing work shows that on the whole the core financial control environment has improved during the year since Phase 1, with no significant exceptions or control recommendations raised. Fewer exceptions were identified across the systems compared with 2016/17, and in particular, we are pleased to report that the performance of Payroll has improved to a green risk rating due to fewer exceptions identified. There have been some exceptions identified through our substantive controls testing of Accounts Receivable and Accounts Payable processes. For Accounts Payable, the risk rating remains green due to fewer exceptions identified, and for those identified they were low risk. The findings identified are not considered to be a threat to the operation of the system as a whole, although, when taken in aggregate, these findings do undermine the efficient performance of the financial control environment.
- The timely implementation of internal audit recommendations by management is a key indicator of good governance and a target rate of 75%+ should be aspired to by management. LSBU's implementation rate has deteriorated in 2017/18; 64% of agreed actions have been implemented compared to 97% in the 2016/17.
- LSBU's risk management arrangements remain robust. We were pleased to see that despite a low risk rated report in 2016/17, management have continued to implement improvements to further strengthen the University's approach to risk management. We identified only one finding, which was low risk.
- Our work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: adherence to financial controls and use of purchase consortiums. We performed an IT review focused on LSBU's IT Technology Roadmap and provided assurance on whether IT projects are costed up front to give a view of costs to complete, the monitoring of these costs between planned and accrued/actual costs to identify overruns or underspends, and if IT projects align to IT strategic objectives to ensure they are consistent with the goals of the organisation including delivering VFM.

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

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

Board of Governors	Report	Purpose
12 July 2018	Key performance indicators	To note a progress report from the Vice Chancellor
	Corporate risk report	To note a report from the Chief Financial Officer
	HEFCE Annual Mid-Year Accountability Return - Forecasts	To approve the return to Hefce including the 4 year forecast.
17 May 2018	Key Performance Indicators within Corporate Strategy Progress Report	To consider the Vice Chancellor's report and note developments and progress against strategy
	Corporate risk report	To note a report from the Chief Financial Officer
15 March 2018	Corporate risk report	To note a report from the Chief Financial Officer
	HEFCE annual assessment of Institutional Risk	To note HEFCE's assessment of "not at higher risk"
	Key performance indicators	To consider the Vice Chancellor's report and note developments
23 November	Corporate risk register	To note a report from the Chief Financial Officer

2017	Key performance indicators & 16/17 Corporate Strategy Progress Report	To consider the Vice Chancellor's report and note progress against strategy
	Annual report from Audit Committee	To note report from the Chair of Audit Committee
	Audit Committee report on the accounts	To note report from the Chair of Audit Committee
	Annual report and financial statements for year ended 31 July 2017	To approve report from the Chief Financial Officer
	Report from the Finance Planning and Resources Committee on the accounts	To note report from the Chair of Finance Planning and Resources Committee
	External Audit key issues memorandum	To note report from the External Auditors (Grant Thornton)
	HEFCE annual accountability return	To note reports from the Chief Financial Officer
12 October 2017	Corporate risk register	To note detailed annual review from the Chief Financial Officer
	Key performance indicators	To consider the Vice Chancellor's report and note developments
	Corporate Governance Statement	To approve

Audit Committee	Report	Purpose
7 June 2018	Corporate risk report	To consider the report on corporate risks from the Chief Financial Officer
	Internal Audit progress report	To note report from internal auditors on audit progress for 2017/18
	Internal Audit Reviews:	To note reports completed from 2017/18 internal audit plan
	<ul style="list-style-type: none"> • Continuous Audit into Student Data 	

	<ul style="list-style-type: none"> Report on International Partnerships 	
	Internal Audit plan 2018/19	To preview plan from internal auditors for activity in 2018/19
	External audit plan for 2017/18	To approve plan from external auditors
8 February 2018	Corporate risk report	To consider the report on corporate risks from the Chief Financial Officer
	Internal Audit progress report	To note report from internal auditors on audit progress for 2017/18
	Internal Audit Reviews:	To note reports completed from 2017/18 internal audit plan
	<ul style="list-style-type: none"> Fire safety report Student data report Key financial systems ICT risk diagnostic 	
9 November 2017	Corporate risk report	To consider the report on corporate risks from the Chief Financial Officer
	Draft report and accounts for year ended 31 July 2017	To consider the report from the Chief Financial Officer
	Internal audit annual report	To note report from internal auditors and the annual opinion for 2016/17
	Internal audit progress report	To note report from internal auditors on audit progress for 2017/18
	Audit Committee Annual Report	To approve the Audit Committee Annual Report
	External Audit	Annual findings report
	Other reports received	<ul style="list-style-type: none"> Prevent annual return GDPR Annual VFM report

3 October 2017	Corporate risk report & Risk appetite and strategy	To consider the report on corporate risks from the Chief Financial Officer
	Internal Audit progress report	To note report from internal auditors on audit progress for 2017/18
	Annual report on effectiveness of internal controls	To consider this report for 16/17 from the Chief Financial Officer
	Internal Audit Reports	To note reports completed as part of the 2016/17 audit plan
	<ul style="list-style-type: none"> • Key financial systems • Contract management • Risk management • GDPR readiness 	

Finance Planning & Resources	Report	Purpose
26 June 2018	Key performance indicators update	To consider the progress against the KPIs set against the corporate plan
1 May 2018	Key performance indicators update	To consider the progress against the KPIs set against the corporate plan
27 Feb 2018	Key performance indicators update	To consider the progress against the KPIs set against the corporate plan
14 November 2017	Key performance indicators update	To consider the progress against the KPIs set against the corporate plan
26 September 2017	Key performance indicators update	To consider the progress against the KPIs set against the corporate plan

In addition:

The Audit Committee will have reviewed the following reports at meetings in October and November 2018 before the accounts are signed:

- The financial statements, including the Statement of Internal Control
- Final annual report of the internal auditors for the year ended 31 July 2018
- External auditor's annual findings report

The Board will conduct a detailed review of the corporate risk register at its meeting in October 2018.

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

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

The internal auditors have identified some control design and operating effectiveness issues around delivery of International partnerships and these are being addressed.

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

8. Effectiveness of the University's external reporting processes

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

APPENDIX 1

Statement on Internal Control

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

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

The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

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

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

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the OfS Audit Code of Practice and as per the Internal Audit Charter, also adheres to the definition of internal auditing, code of ethics and the standards for professional practice that are published by the Institute of Internal Auditors. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement.

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

APPENDIX 2: Corporate Risk Register: Residual Likelihood Matrix

Date: 31st October 2018 **Author:** John Baker – Corporate & Business Planning Manager **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)	
	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) 624: LSBU Family integrated service benefits (IM)	3: Increasing pensions deficit reduces flexibility (RF) 457: Anticipated international & EU student revenue unrealised (PI) 467: Progression rates don't rise (SW)	
	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:	External Audit Performance
Board/Committee	Audit Committee
Date of meeting:	08 November 2018
Author:	Natalie Ferer, Financial Controller
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To consider the performance of KPMG during their audit for the year ending 31 July 2018
Recommendation:	The Committee is requested to note the report

Executive Summary

KPMG have performed the external audit for the University and the attached KPIs were agreed with KPMG approved by Audit Committee in June 2017.

These indicators will be presented to the Audit Committee on an Annual Basis following completion of the annual audit process. The KPIs have been segmented into four key Balanced Scorecard areas; Delivery, People, Processes and Quality of Service, reporting target and actual performance.

The agreed KPIs are listed below with a summary of performance against them for the 2017/18 financial year end audit.

Key Performance Indicators

The following indicators will be presented to the Audit Committee on an Annual Basis. The KPIs have been segmented into four key Balanced Scorecard areas; Delivery, People, Processes and Quality of Service, reporting target and actual performance.

Indicator	Target	2017 performance	Narrative
1. Quality Assurance			
Compliance with mandatory audit standards and professional standards prescribed by the main accountancy bodies.	100%	100%	The audit has been conducted in line with KPMG Audit Methodology which has been developed in line with International Standards on Auditing.
Use of the most effective techniques in audit work.	100%	100%	This year KPMG used data analysis over tuition fee income, which is a change to approach from last year. They will detail this in their ISA report. They also updated their CAATs routines on journals to pick out journals between unusual accounts combinations.
Use of latest techniques in audit work (statistical and sampling).	100%	100%	As above, KPMG has also used data and analytics to test tuition fees this year. They continue to use MUS on all our other balances that relate to a significant account.
Use of data and analytic routines when auditing account balances.	50%	80%	Data and analytics routines to select high risk journals for testing to and for tuition fee work
Updates on significant financial reporting developments provided to management as and when they occur.	100%	100%	Technical update issued June 2018.
2. Achievement of Audit-Day Targets			
Audit-day targets for individual audit assignments will not be exceeded without the express approval of the Chief Financial Officer.	100%	100%	

3. Reporting Arrangements			
Clarity of style, avoidance of jargon and concise explanation of the issue are required in all audit reports.	100%	100%	Reporting of audit plan met the KPI receiving positive feedback from Audit Committee. Awaiting audit report.
Quality of audit reports – the information provided should be relevant, practical and timely.	100%	100%	2017 audit report met this criteria
Proper consultation/liaison with the University's managers should take place in the preparation and follow up of all audit reports			
- Proportion of audit reports agreed in advance with management prior to issue	100%	100%	Final plan sent to LSBU in June and approved by Audit Committee in June
- Audit plan issued annually by 31 May	100%	100%	2017 audit opinion issued by deadline, Awaiting 2018 audit opinion
- Audit opinion and Use of Resources conclusion issued by statutory deadline.	100%	TBC	
Significant issues communicated immediately to the Chief financial Officer and less significant issues communicated immediately to the Financial Controller.	100%	100%	No significant issues. Less significant issues have been communicated to the Financial Controller including matters associated with audit testing and audit adjustments
4. Recommendations			
The extent to which the audit report recommendations are accepted by the University as relevant and realistic to put in place.	100%	100%	All 2017 actions were accepted by the University
The extent to which recommendations are successfully implemented by the University.	100%	TBC	Awaiting Management Letter
The extent to which audit staff follow-up the implementation of the above recommendations.	95%	TBC	Awaiting management letter
Client satisfaction surveys 'good' or better – issued annually.	100%	100%	The surveys are issued at the end of each audit cycle, so this year's survey won't yet be ready. Comment on last year's survey was: 'First year of external audit following appointment. Pragmatic but robust approach and we felt suitably challenged. The audit

			went very smoothly on both sides. Partner and manager both strong'
Number of benchmarking reports issued each year.	1	1	KPMG will shared the results of their Risk Management benchmarking report in June 2018.
5. Staffing			
All staff assigned to the tasks deemed necessary for the provision of the services have been selected with due regard being paid to their qualifications, experience and technical ability.	100%	100%	The Senior team all hold a CCAB qualification, and all of the team either hold a similar qualification or are working towards it.
Appropriate staff are made available for the purpose of discussions and meetings with University staff relevant to the work carried out.	100%	100%	At the planning stage before the interim and final audit visit appropriate staff attended meetings with the Audit Partner, Manager and Assistant Manager attending
Utilisation of specialist staff where appropriate to demonstrate the value of organisational resource.	100%	100%	KPMG Actuarial specialists were used to assess the assumptions made by Barnett Waddingham in respect of the University's pension liabilities
Commitment to training and development of audit staff.			
- Percentage of staff with relevant CCAB qualifications in Core team.	100%	100%	The Engagement Partner, Manager and Assistant Manager are all members of the ICAEW.
Completion of relevant training by all members of the external audit team.	100%	100%	All members of the audit team are compliant with KPMG's mandatory training requirements.
Proportion of team holding or working towards CCAB qualifications.	100%	100%	All members of the audit team either hold or are working towards a CCAB qualification.
Continuity of team: Turnover rate of staff.	5%	50%	All Senior team were the same as last year

6. Supervision			
All audit work is properly controlled, monitored and reviewed by audit management.	100%	100%	All audit work has been supervised by the Engagement Partner, Manager and Assistant Manager and this is documented in KPMG's electronic audit filing system.
7. Audit Protocol			
Proper conduct of audit assignments.			
All audit work is properly controlled, monitored and reviewed by audit management (Partner and Senior Manager).	100%	100%	The Engagement Partner has reviewed all work relating to significant accounts, and the Audit Manager has reviewed all working papers.
Regular communications and effective interaction with University managers.	100%	100%	During the interim and final audit the team regularly communicated with Financial controller regarding progress
Audit team to undertake quarterly updates with key stakeholders.	100%	100%	We have had regular meetings with the Chief Financial Officer, and the Engagement Partner has met with the the Audit Committee.
Professionalism demonstrated on audit assignments.	100%	100%	
Audit planning and clearance meetings scheduled in advance and in line with committee and other key dates.	100%	100%	
Year end audit and associated work completed in line with agreed timetables and committee papers submitted at least 10 working days before the date of the meeting.	100%	TBC	
8. Response times			
All general enquiries and requests for assistance shall receive a response within two working days	100%	100%	

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	CONFIDENTIAL
Paper title:	Internal Audit - Progress Report – November 2018
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	PriceWaterhouseCoopers
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information.
Recommendation:	The Committee is requested to note the attached report.

Executive Summary

The Progress Report accompanies other internal audit reports to each meeting of the Audit Committee, and details progress against the internal audit plan in year, alongside implementation progress against the actions falling due, or remaining outstanding from all audit reports outside of the continuous audit programme.

There are no new reports alongside this progress report, although the annual opinion is now presented in final.

Six recommendations were followed up in this period, and two have been partially implemented (75%), with the remainder due for completion in December.

- The Audit Committee is requested to note the report

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Internal Audit Progress Report 2018/19

*London South Bank
University*

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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 21% of our 2018/19 internal audit programme for the year. The Fieldwork has been completed for the South Bank Academy Trust review and we will report this in the next Audit Committee.

We have started planning for our reviews in Q2 on Procurement and Continuous Auditing on Student Data.

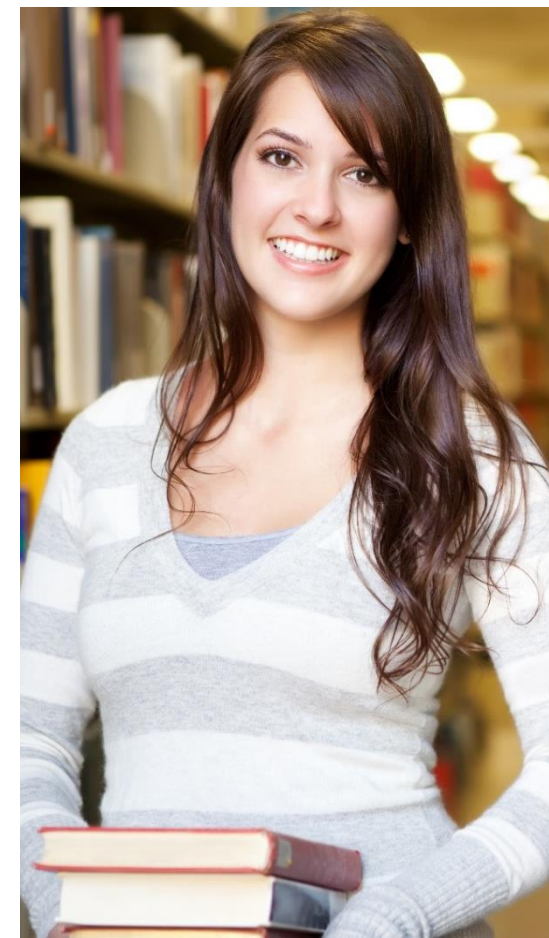
For this Audit Committee, we present:

- Our final 2018/19 Internal Audit Charter; and
- Our final 2018/19 Internal Audit Opinion.

Findings of our Follow Up Work

We have undertaken follow up work on actions with an implementation date of 31 October 2018 or sooner. We have discussed with management the progress made in implementing actions falling due in this period. Where the finding had a priority of low or advisory, we have accepted management's assurances of their implementation; otherwise, we have sought evidence to support their response.

A total of six actions have been followed up this quarter. Two actions remain partially implemented (33%) and four actions have not been implemented (67%).



Summary (2 of 2)



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.

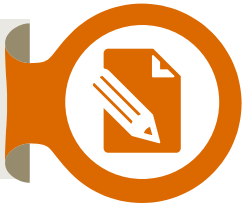
In Appendix B we have summarised some of our recent publications.

Recommendations

- That the Audit Committee notes the progress made against our 2018/19 Internal Audit Programme.
- That the Audit Committee notes our final 2018/19 Internal Audit Charter and final 2018/19 Internal Audit Opinion.



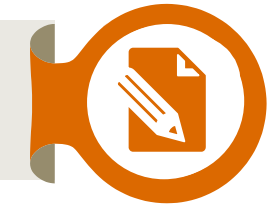
Progress against 2018/19 plan (1 of 3)



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

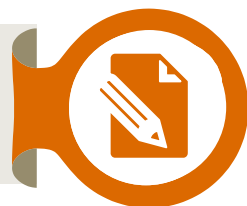
Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 1: August 2018 – October 2018											
Continuous Auditing: Key Financial Systems – January 2018 to June 2018											
15 (17)	03/07/2018	09/07/2018	28/08/2018	25/09/2018							
South Bank Academy Trust											
15 (11)	25/09/2018	25/09/2018	29/10/2018								
Quarter 2: November 2018 – January 2019											
Procurement											
10 (1)											
Continuous Auditing: Student Data – April 2018 to October 2018											
13 (1)											

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 Systems - July 2018 to December 2018											
15 (0)											
Continuous Auditing : Student Data - November 2018 to March 2019											
12 (0)											
IT Disaster Recovery & GDPR compliance											
17 (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											
Risk Management											
5 (0)											
CMA Compliance											
10 (0)											
The London South Bank Innovation Centre (LSBIC)											
10 (0)											
Other											
18 (10)	Planning, contract management, reporting, value for money and follow up										
Total	140 (40)										

Appendices

Appendix A: Follow up (1 of 4)

Partially implemented – Internal audit actions (1 of 2)

#	Review	Agreed Action	Original due date	Risk rating	Status
1	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 4 October 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>

Appendix A: Follow up (2 of 4)

Partially implemented – Internal audit actions (2 of 2)

#	Review	Agreed Action	Original due date	Risk rating	Status
2	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	<p>●</p> <p>Medium</p>	<p>The International office have been working with the REI team and HAPLO to enable the roll out of the new prospect management module with the customisation required for international partnerships. Project meetings have taken place in September, and the soft launch is scheduled for October.</p> <p>As updated to the Audit Committee on 4 October 2018, the due date was revised to 31/10/2018.</p> <p>No further response has been received from Management.</p>

Appendix A: Follow up (3 of 4)

Not implemented (1 of 2)

#	Review	Agreed Action	Original due date	Risk rating	Status
3	IT Technology Roadmap	<ul style="list-style-type: none"> - 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	<p>●</p> <p>Medium</p>	<p>PID to now include Technical Investment Portfolio rating matrix against Corporate Strategy. Deputy Director accountable for benefits realisation alongside newly formed Governance Board.</p> <p>Revised date to 31 December 2018.</p>
	IT Technology Roadmap	<ul style="list-style-type: none"> - Create an additional two columns in the Technical Roadmap spreadsheet where the project can show alignment to IT Strategy, and how that IT Strategy aligns to the Corporate Strategy. - Establish metrics for assessing how projects are aligned to corporate objectives. 	31/10/2018	<p>●</p> <p>Medium</p>	<p>Additional columns have been added and aligned to corporate strategy objectives set by the Executive annually. Technical Investment portfolio has been devised pin pointing all requests to local strategy, IT Strategy and wider Corporate. Rating matrix to be devised in terms of benefit scale.</p> <p>Revised date to 31 December 2018.</p>
5	IT Technology Roadmap	<ul style="list-style-type: none"> - Review the terms of reference to define the missing criteria in conjunction with the wider ICT team. - Define exceptions criteria that details the nature of projects that should bypass TDA,. - Define in the terms of reference, the timeline and point in time at which projects are required to report to the TDA. 	31/10/2018	<p>●</p> <p>Medium</p>	<p>TDA reference to be revised. Enterprise Architect appointed to map out LSBU architecture mapping. Project Stage Gates to include TDA at each milestone to ensure strategic alignment throughout inflight progression. Pre-approved changes to be agreed by IT Director, TDA and CAB Board.</p> <p>Revised date to 31 December 2018.</p>

Appendix A: Follow up (4 of 4)

Not implemented (2 of 2)

#	Review	Agreed Action	Original due date	Risk rating	Status
6	IT Technology Roadmap	Create a formal process that assesses project costs at the start, using defined cost metrics and measures.	31/10/2018	● Low	Procurement Lead and Financial Accountant included in PID creation to ensure realistic budgetary goals and forecasts are set from outset of Roadmap agreement. Exact matrix to be defined. Revised date to 31 December 2018.

Appendix B: Recent publications and thought leadership

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

Annual Report Benchmarking: High Risk issues in the HE Sector

Our HE Centre of Excellence has reviewed all 2017/18 audit programmes for PwC’s Internal Audit client Universities across the United Kingdom to provide insight and benchmarking on the high risk findings identified for Universities. A summary of the key high risk issues are given below:

1) **Consumer Protection Regulation Compliance**

Our Unistats audits have identified a range of issues, including a number of medium and high risk issues. The most common concerns were around institutions failing to accurately and consistently give information around course accreditations on their website, with some institutions promoting accreditations which no longer existed and other institutions failing to disclose accredited courses. Another common issue was with course web pages and prospectuses failing to include all core ‘material information’ as described by the Competition and Markets Authority.

2) **Key Financial Controls**

Our key financial controls audits identified some high risk concerns around basic financial controls including issues ensuring appropriate segregation of duties in payroll, procurement and payments. Procurement continues to be an area with a number of high and medium risk concerns, in particular around managing suppliers and risks associated with suppliers.

3) **Governance and Oversight**

We identified a number of high risk findings associated with ensuring that University management and governors have appropriate oversight of key risk areas, including procurement, research contracts and key supplier contracts.

4) **Business Continuity Planning**

A number of Universities had no plans in place for managing business continuity, understanding business impact or disaster recovery in the event of a significant disruption to service such as flooding, terrorist attacks or long-standing power outages. A number of our clients have experienced issues such as these in the past year and having robust plans in place and a clear framework for managing these situations can be crucial.

5) **UKVI Sponsor Requirement Compliance**

Our UKVI audits identified some high risk issues across compliance with the requirements for Tiers 2, 4 and 5. The issues identified related primarily to retaining sufficient evidence of checks undertaken, notifying UKVI of withdrawn students and notifying staff of visa expiry.

All publications can be read in full at www.psrc.pwc.com/, www.pwc.blogs.com/publicsectormatters/education/ and <http://www.pwc.co.uk/industries/government-public-sector/education.html>

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.

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	CONFIDENTIAL
Paper title:	Internal Audit Annual Report –2017/2018
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	PriceWaterhouseCoopers
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note the attached annual report by the internal auditors, now issued in final.

Executive Summary

The Internal Auditors’ annual report for the Audit Committee provides their opinion on the adequacy and effectiveness of governance, risk management and control for the financial year of operation, and details summary progress against the internal audit plan. This opinion features in the annual statement on control which supports the statement made by the Board in the Published Accounts, and the report is provided to the Office for Students as a component of the annual accountability return.

The opinion within this report for 2017/18 is “generally satisfactory with some improvements required”. This is consistent with the previous year, and the second highest of four potential categories (p 19).

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Internal audit annual report 2017/2018

London South
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2. Opinion types
3. Basis of our classifications
4. Outstanding recommendations
5. Mapping of internal audit work

Distribution list

For action: Richard Flatman, Chief Financial Officer
Audit Committee

For information: James Stevenson, University Secretary



Executive summary

Introduction

This report outlines the internal audit work we have carried out for the year ended **31 July 2018**.

The Office for Students' (OfS and formerly HEFCE) Memorandum of Assurance and Accountability (MAA) requires that the Head of Internal Audit provides a written report and annual internal audit opinion to the Audit Committee. As such, the purpose of this report is to present our view on the adequacy and effectiveness of:

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

This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Audit Committee agreed to a level of internal audit input of **125** days, of which **125** days were delivered. Whilst this report is a key element of the framework designed to inform the Audit Committee's Annual Report to OfS, there are also a number of other important sources to which the Audit Committee should look to gain assurance. This report does not override the Audit Committee's responsibility for forming their own view on governance, risk management, control and value for money arrangements.

Head of internal audit opinion

We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control, and economy, efficiency and effectiveness arrangements (value for money). To assist the Audit Committee in understanding how our work corresponds to their reporting responsibilities, we have mapped our work against these areas in Appendix 4.

In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.



Executive summary

Opinion

Our opinion is as follows:

Generally satisfactory with some improvements required

Governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control and value for money arrangements which potentially put the achievement of objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control and value for money arrangements. Please see our Summary of Findings in Section 2.

An explanation of the types of opinion that may be given can be found in Appendix 2.

Basis of opinion

Our opinion is based on:

- All audits undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.
- The effects of any significant changes in the organisation’s objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the organisation’s audit needs have been covered to date.

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Executive summary

Commentary

The key factors that contributed to our opinion are summarised as follows:

- Our view on London South Bank University's (LSBU's) operational control environment and governance arrangements is underpinned by the audit reviews that we have performed during the year. There has been one high risk rated report, two medium risk rated reports and two low risk rated reports prepared during the financial year. These ratings are the same with 2016/17's audit reports, although different scope areas were reviewed. The findings from these reports are not considered significant in aggregate to the system of internal control. None of the individual assignments completed in 2017/18 have an overall classification of critical risk.
- We identified one high risk report this year, the International Partnerships Arrangements review. This area was selected for review due to the University's having nearly 200 arrangements with international partners and having been engaged in the process of terminating loss-making contracts, revising the process for entering new contracts and reviewing the financial performance of existing partnership arrangements. We identified two high risk findings in the report. The first high risk finding was identified as there was no evidence that a risk assessment or due diligence check had been completed for 3 out of 4 partnerships sampled (75%) before the agreement was signed. All 3 of the exceptions arose prior the implementation of a new policy in April 2017. The 4th partnership we reviewed commenced after the new policy had been introduced and we identified no exceptions in the pre-contracting arrangements for this partnership, indicating that controls are now more robust in this area. The second finding is related to the monitoring of Partnerships, where LSBU does not keep a log of the checks completed to validate academic quality of international partners and additionally, LSBU only monitoring income generated from Partnerships rather than overall financial performance. Our high risk findings relates to specific issues and are not deemed to represent systemic threats to the entire control and governance environment.
- Our Continuous Auditing work shows that on the whole the core financial control environment has improved during the year since Phase 1, with no significant exceptions or control recommendations raised. Fewer exceptions were identified across the systems compared with 2016/17, and in particular, we are pleased to report that the performance of Payroll has improved to a green risk rating due to fewer exceptions identified. There have been some exceptions identified through our substantive controls testing of Accounts Receivable and Accounts Payable processes. For Accounts Payable, the risk rating remains green due to fewer exceptions identified, and for those identified they were low risk. The findings identified are not considered to be a threat to the operation of the system as a whole, although, when taken in aggregate, these findings do undermine the efficient performance of the financial control environment. *Please see details in section 3.*
- The timely implementation of internal audit recommendations by management is a key indicator of good governance and a target rate of 75%+ should be aspired to by management. LSBU's implementation rate has deteriorated in 2017/18; 64% of agreed actions have been implemented compared to 97% in the 2016/17. *Please see details in sections 3 and 4.*
- LSBU's risk management arrangements remain robust. We were pleased to see that despite a low risk rated report in 2016/17, management have continued to implement improvements to further strengthen the University's approach to risk management. We identified only one finding, which was low risk.
- Our work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: adherence to financial controls and use of purchase consortiums. We performed an IT review focused on LSBU's IT Technology Roadmap and provided assurance on whether IT projects are costed up front to give a view of costs to complete, the monitoring of these costs between planned and accrued/actual costs to identify overruns or underspends, and if IT projects align to IT strategic objectives to ensure they are consistent with the goals of the organisation including delivering VFM.

Acknowledgement

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

Summary of findings

Our annual internal audit report is timed to inform the organisation’s Audit Committee’s Annual Report to OfS (Office for Students).

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

Description	Detail
<p>Overview</p> <p>We completed 10 internal audit reviews. This resulted in the identification of 0 critical, 3 high, 13 medium and 14 low risk findings to improve weaknesses in the design of controls and operating effectiveness.</p> <p>Over the past three years, the number of findings has been increasing steadily but this is due to the risk profile having changed over the course of the three year period, and that we conduct different reviews each year which present different risk profiles.</p> <p>There has been more high risk but also low risk findings this year, with medium risk findings remaining consistent over the three year period. This demonstrates LSBU’s control environment remaining consistent and stable.</p>	<ul style="list-style-type: none"> • Our audit plan was scoped to address LSBU’s key risks and strategic objectives. • We mapped each review to these areas in our Internal Audit Risk Assessment and Internal Audit Plan 2017/18. • We have completed our Internal Audit Plan in line with the set timescales.
<p>Risk Management, Internal Control and Governance</p> <p><i>Risk Management</i></p> <p>Risk management arrangements remain robust and has improved. We were pleased to see that despite a low risk rated report in 2016/17, management have continued to implement improvements to further strengthen the University’s approach to risk management.</p> <p>The current year review identified just one low risk finding which related to the Operating Effectiveness Review minutes not being available for risk discussions at the School and Professional Service Group (PSG) level. An advisory finding was also identified for Management’s acknowledgement.</p>	<p>N/A</p>

Summary of findings

Description

Risk Management, Internal Control and Governance (continued)

Internal Control

Our review of International Partnerships Arrangements identified that this is a high risk area for the University. We identified two high risk findings which is summarised opposite.

The results of our Key Financial Systems Continuous Auditing has improved during the year, with no significant exceptions or control recommendations raised.

Fewer exceptions were identified across the systems compared with 2016/17, and in particular, we are pleased to report that the performance of Payroll has improved to a green risk rating due to fewer exceptions identified. The performance of Accounts Payable continues to fluctuate over the two years.

A summary of Continuous Auditing performance and the results of individual reviews is included in Section 3. We do not consider the findings to be significant in aggregate to the control environment.

Detail

International Partnerships Arrangements

We identified two high risk findings relating to no evidence of due diligence checks performed before signing the agreement, and LSBU having no log of the checks completed to validate academic quality of international partners and additionally, LSBU only monitoring income generated from Partnerships rather than overall financial performance.

- 3 out of 4 partnerships sampled (75%), there was no evidence of a risk assessment or due diligence performed on the partnerships before signing the agreement. All 3 of the exceptions arose prior the implementation of a new policy in April 2017. The 4th partnership we reviewed commenced after the new policy had been introduced and we identified no exceptions in the pre-contracting arrangements for this partnership, indicating that controls are now more robust in this area.
- In terms of monitoring the partnerships, LSBU does not keep a log of the checks completed to validate academic quality of international partners (i.e. a list of exam papers reviewed). At the time the internal audit was undertaken a new process was being trialled to utilise Moodle to retain a record of the academic quality checks completed over the BUE partnership. If this is successful, the process will be expanded to other international partners. Furthermore LSBU only monitor income generated from Partnerships rather than overall financial performance.

Summary of findings

Description

Value for Money

Institutions have a duty of care to ensure the proper use of public funds and the achievement of value for money. Our audit approach considers value for money as an integral objective of LSBU's systems of internal control. Our work indicates that LSBU has processes in place to ensure value for money which are in accordance with good practice, examples are provided opposite.

Detail

Value for Money has been demonstrated through the following activities:

- *Use of purchasing consortiums* – LSBU is a member of the London Universities Purchasing Consortia;
- *Adherence to financial controls* - as part of our Continuous Auditing work we test to ensure transactions are approved and reviewed in accordance with LSBU's delegated authority framework. No significant issues have been noted this year; and
- *Value for Money Working Group* – a working group was established in 2013 and is attended by senior officers across the organisation. This also focuses on delivering value for money for students.
- IT Technology Roadmap review – our IT review this year focused on the controls and processes of whether IT projects are costed up front to give a view of costs to complete, the monitoring of these costs between planned and accrued/actual costs to identify overruns or underspends, and if IT projects align to IT strategic objectives to ensure they are consistent with the goals of the organisation including delivering VFM.

Summary of findings

Description

Data Submission

The MAA includes a mandatory requirement for quality assurances to be provided by Institutions over the data submitted to the Higher Education Statistics Agency (HESA) and OfS.

Whilst there is no requirement for our internal audit programme to provide a conclusion in respect of data quality, our internal audit programme in 2017/18 has been designed to support the Audit Committee in forming its conclusion in respect of such matters.

Detail

Continuous Auditing

The two Student Data Continuous Auditing reports issued in 2017/18 were classified as medium risk for both phase 1 and phase 2. We have not identified any significant exceptions regarding student data controls, but we have seen an increase in exceptions over the course of the year which suggests that there has been a deterioration in performance. This should be monitored by management to ensure that this trend does not continue.

IT Audit – IT Technology Roadmap

A number of initiatives have been launched by IT management to address weaknesses in processes identified by the IT risk diagnostic in 2017. One of these was to build a technology roadmap process to align and control IT changes within the University estate and partner organisations. The review identified 4 medium risk findings:

- The documentation of LSBU’s enterprise architecture is work in progress and incomplete. As a result, there is no reference point of the architecture in place and to be able assess proposed technology changes against this when making decisions on investment.
- There is limited articulation in Project Initiation Documentation (PID) and relating documentation of how the projects are aligned to the IT strategy. As per good practice, this would be expected to be defined through the identification of project benefits and to be tracked through benefits realisation.
- The “Technical Roadmap,” document that lists all proposed projects has an impact assessment matrix for strategic alignment with values classified as Low, Medium and High. There are no metrics/criteria established to demonstrate transparency on how these values are decided and as a result judgements and decisions made that lead to funding are not transparent.
- In reviewing the Terms of Reference for the TDA we identified weaknesses such as the scope of the TDA not being clearly documented, no quorum specified to support decision making, no criteria to state what constitutes a change that needs to go via TDA, and there is no explanation of how to manage exceptions.

Summary of findings

Description

Follow up

During the year we have undertaken follow up work on previously agreed actions. We have undertaken follow up work on actions with an implementation date by 31 July 2018. 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.

Good practice

We also identified a number of areas where few weaknesses were identified and areas of good practice.

Detail

A total of 11 agreed actions have been followed up. 7 actions have been implemented (64%), 1 action has been partially implemented (9%) and 3 actions have not been implemented (27%).

Please see slide 15 and Appendix 4 for details of the follow ups.

IT audit - IT Technology Roadmap

There is a newly established project management process that formalises the gateways for each project to progress towards implementation. Although there is some further development needed it is encouraging to see a process defining what steps need to be taken at each project stage gate, and the governance procedures to follow.

Health and Safety (Fire Safety Management)

Following the Grenfell tower incident, LSBU employed an external company to undertake an independent review of a number of its buildings to evaluate if there was any significant impact following the Grenfell Tower (fatal fire), London, June 2017.

The Health Safety and Resilience (HSR) team have a proactive and positive relationship with the emergency services, including sitting on the Southwark emergency planning forum.

Risk Management

Risk Management arrangements remain strong with a number of areas of good practice, for example: documented roles and responsibilities, established management escalation routes and a defined Risk Strategy and Risk Appetite which is regularly reviewed and discussed at Board level.

HR review (Process mapping and Performance Management)

The University has appropriate controls designed and in place for the three key HR processes; starters, leavers and changes to staff details, with minor improvements required. For Performance Management, the policy reflects best practice and contains the key areas for managing staff performance including a Performance Improvement Template requiring SMART objectives and a Manager Performance Report template.

Internal audit work conducted

Introduction






The table below sets out the results of our internal audit work and implications for next year’s plan. The following page shows direction of control travel and a comparison of planned and actual internal audit activity.

Results of individual assignments

Review	Report classification	Report status	Number of findings			
			Critical	High	Medium	Low
Continuous Auditing: Key Financial Systems – Phase 1	No Classification	Final	-	-	2	4
Continuous Auditing: Key Financial Systems – Phase 2	No Classification	Final	-	1	3	3
Continuous Auditing: Student Data – Phase 1	No Classification	Final	-	-	1	-
Continuous Auditing: Student Data – Phase 2	No Classification	Final	-	-	-	2
Incident Response Support	No Classification	Final – Management letter	No Findings – Recommendations only			
International Partnerships Arrangements	High	Final	-	2	1	-
Health and Safety	Medium	Final	-	-	2	1
IT Technology Roadmap	Medium	Final	-	-	4	1
HR: Process Mapping and Performance Management	Low	Final	-	-	-	2
Risk Management	Low	Final	-	-	-	1
Total			0	3	13	14

Internal audit work conducted

Direction of control travel

Finding rating	Trend between current and prior year	Number of findings		
		2017/18	2016/17	2015/16
Critical		-	-	-
High		3	1	2
Medium		13	13	14
Low		14	11	4
Total		30	25	20

Over the past three years, the number of findings has been increasing steadily but this is due to the risk profile having changed over the course of the three year period, and that we conduct different reviews each year which present different risk profiles.

There has been more high risk but also low risk findings this year, with medium risk findings remaining consistent over the three year period. This demonstrates LSBU's control environment remaining consistent and stable.

In 2015/16, both the high risk findings came from the Data Security internal audit which has not been included in either the 2016/17 or 2017/18 internal audit programme. 2 of the 3 high risk findings for 2017/18 are from the International Partnerships Arrangement review. The remaining high risk finding is from the KFS Phase 2 review.

Implications for management

- 2 of the 3 high risk findings in the current year relates to the International Partnerships report. This report was classified as high risk due to two high risk findings. These related to partnerships with no evidence of due diligence checks performed before signing the agreement, and LSBU having no log of the checks completed to validate academic quality of international partners and additionally, LSBU only monitoring income generated from Partnerships rather than overall financial performance We will follow up on the findings from this review and provide an update at the next Audit Committee meeting.
- The remaining high risk finding came from the KFS Phase 2 review, where in Accounts Payable, a finding was raised for supplier amendments due to a lack of audit trail to evidence appropriate checks had been made on the authenticity of requests to amend supplier details. This was rated high risk due to the Payroll matter incident, where we performed further investigative work. Overall the area was still rated green due to the low number of exceptions in limited areas and an improvement since Phase 1.
- The majority (23%) of findings were from the KFS Phase 2 report followed by the IT Technology Roadmap report with 17% of findings. The KFS report relates to Continuous Auditing, where the results of each phase will indicate the progress of implementing agreed actions. Agreed actions from the IT Technology Roadmap report will be reported in the November Audit Committee, when they are due.
- In the prior years, Data Security was the primary area of concern, with a high risk rating overall. Following the IT risk diagnostic exercise, a number of initiatives have been launched by IT management to address weaknesses in processes identified by the IT risk diagnostic. One of these was to build a technology roadmap process to align and control IT changes within the University estate and partner organisations (including schools using the IT network). As part of the 2017/18 internal audit programme, we performed a IT review of the Technology Roadmap in place and identified 4 medium risk findings. We will follow up on the findings from this review and provide an update at the next Audit Committee meeting.
- No classification has been given for four reviews performed, these relate to Continuous Auditing. An analysis of findings in these areas has been provided on the next page. We have provided risk-rated findings where exceptions were noted in our testing. The results of our Continuous Auditing show an improvement in performance for Student Data during the year and a deterioration for KFS in Phase 2. However we have not identified any risks which are pervasive to the entire control environment.

Internal audit work conducted

Comparison of planned and actual activity

Audit unit	Budgeted days	Actual days
Continuous Auditing: Key Financial Systems – Phase 1	13	13
Continuous Auditing: Key Financial Systems – Phase 2	12	12
Continuous Auditing: Student Data – Phase 1	15	15
Continuous Auditing: Student Data – Phase 2	15	15
PR: Process Mapping and Performance Management	10	10
Technology Roadmap	15	15
International Partnerships Arrangements	10	10
Health and Safety	12	12
Risk Management	5	5
Value for Money	3	3
Audit management and follow up	15	15
Total	125	125

Implications for management

- We are pleased to confirm there are no implications for management, as budgets have been met for 2017/18.

Internal audit work conducted


























Analysis of the Continuous Auditing programme

Whilst no overarching classification is assigned for our Continuous Auditing reports, we have summarised below the findings identified in each period under consideration as part of the 2017/18 audit programme. The comparative performance for 2016/17 is also shown.

Key Financial Systems

The table below represents our view of the overall risk for each system within each financial cycle. This includes phase one of the 2018/19 key financial systems as this captures the results of testing during the 2017/18 financial year (January 2018 – June 2018). The numbers in brackets represents the number of operating effectiveness exceptions identified from our work. The control design recommendations identified are included within the table included on page 9.

Overall the performance during this period has remained consistent with the previous period. Fewer exceptions were identified across the systems compared with the previous period, and in particular, we are pleased to report that the performance of Payroll has improved during the year to a green risk rating due to fewer exceptions identified. The performance of Accounts Payable has also improved with the risk rating remaining green due to fewer exceptions identified, and for those identified they were low risk. For Accounts Receivable, this risk remains at amber for 2017/18, compared to green in 2016/17.

System / Rating	Trend	2018/19 IA Programme		2017/18 IA Programme		2016/17 IA Programme	
		P1 2018/19	P2 2017/18	P1 2017/18	P2 2016/17	P1 2016/17	
Payroll	↑	 Green (1)	 Amber (1)	 Red (5)	 Amber (5)	 Amber (4)	
Accounts Payable	↔	 Green (1)	 Green (3)	 Amber (1)	 Amber (2)	 Green (1)	
Accounts Receivable	↔	 Amber (2)	 Amber (2)	 Green (0)	 Green (2)	 Green (1)	
Cash	↔	 Green (1)	 Green (1)	 Green (0)	 Green (1)	 Amber (1)	
General Ledger	↔	 Green (0)	 Green (1)	 Green (2)	 Green (0)	 Amber (1)	

Internal audit work conducted

Student Data

The table below summarises the overall performance for Student Data Continuous Auditing. This is based on the number and severity of findings identified for each Phase. We classified the overall area as medium risk for both Phase 1 and Phase 2 in 2017/18; and remains the same as both Phases in 2016/17. The table shows a slight decline in performance during the year: 41 operating effectiveness exceptions were identified in Phase 1; this increased to 45 exceptions Phase 2. Two control design exception were also identified in Phase 2 (Phase 1: one exception). There has also been far more exceptions identified in S4 (Student Engagement) and in particular, S9 (Changes to module data), where there were 13 exceptions. We note that there has been a significant improvement in S2 (Tier 4 controls). The increase in Phase 2 is also driven by 4 exceptions identified for the new control S3 (Apprenticeships).

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Control	P2 17/18 Effectiveness	P2 17/18 Control design	P1 17/18 Effectiveness	P1 17/18 Control design	Trend
S1	8	-	11	-	↓
S2	2	-	16	1	↓
S3	4	1	N/A – this is a new control that has been tested for the first time in P2		N/A
S4	9	-	4	-	↑
S5	-	-	-	-	↔
S6	5	-	2	-	↑
S7	4	-	3	-	↑
S8	-	-	1	-	↓
S9	13	1	4	-	↑
S10	-	-	-	-	↔
S11	-	-	-	-	↔
Total	45	2	41	1	↑

Follow up work conducted

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. In accordance with our internal audit plan, we followed up a sample of recommendations made in prior years to ascertain whether action had been taken.

Within the Internal Audit Risk Assessment and Internal Audit Plan 2017/18, five days were assigned for following up agreed actions raised in previous and current periods in order to assess whether agreed actions had been implemented by management. The table below summarises the follow up work performed.

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

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

Follow up work was not undertaken on findings from our Continuous Auditing programme. This is because issues noted as part of Continuous Auditing are followed up each testing period. The table below summarises the follow up work performed.

Results of follow up work

11 agreed actions were due for implementation by 31 July 2018. The table below summarises the follow up work performed.

<i>Status</i>	Number of agreed actions due by 31 July 2018
<i>Implemented</i>	7
<i>Partially implemented and deferred to 2018/19</i>	1
<i>Not implemented</i>	3
Total	11

Follow up work conducted

Summary

We recommend that further work is conducted by LSBU to ensure all previously agreed recommendations are implemented at the earliest opportunity. For those recommendations that are ongoing and outstanding, the following explanations have been provided (please see appendix 4 for further details):

- For the Contract Management review: 2 of the 3 actions relate to this review and the action owner has not yet implemented this. An explanation was not provided.
- For the Fire Safety (Health and Safety) review: 1 of the 3 actions relates to this review and the action owner has not yet implemented this. An explanation was not provided.
- For the Data Security review, where there is one action that is partially implemented, we have yet to receive an updated response from the Action Owner.

Additional Work - Accommodation code, UUK Code of Practice Audit 2018

As requested by Management, we have also followed up on the Halls of Residence actions relating to the Accommodation code, UUK Code of Practice Audit 2018.

There were 8 actions, where 7 of 8 (88%) have been implemented and where 1 of 8 (12%) is partially implemented.

Please see the September Progress report for further details.



Appendix 1: Limitations and responsibilities

Appendix 2: Opinion types

Appendix 3: Basis of our classifications

Appendix 4: Outstanding recommendations

Appendix 5: Mapping of internal audit work

Appendices

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor’s work

Our work has been performed subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention.

As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

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

Future periods

Our assessment of controls relating to LSBU is for the period 1 August 2017 to 31 July 2018. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

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

The specific time period for each individual internal audit is recorded within section 3 of this report.

Responsibilities of management and internal auditors

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

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

Appendix 2: Opinion types





The table below sets out the four types of opinion that we use, along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his/her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.





Type of opinion	Indication of when this type of opinion may be given
Satisfactory	<ul style="list-style-type: none"> A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally Satisfactory with some improvements required	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or High risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or Critical risk rated weaknesses identified in individual assignments that are not pervasive to the system of internal control; and A minority of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	<ul style="list-style-type: none"> High risk rated weaknesses identified in individual assignments that in aggregate are pervasive to the system of internal control; and/or Critical risk rated weaknesses identified in individual assignments that are pervasive to the system of internal control; and/or More than a minority of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	<ul style="list-style-type: none"> An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Appendix 3: Basis of our classifications

Report classifications

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

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






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



Appendix 3: Basis of our classifications

Individual finding ratings

Engagement teams should tailor the ‘assessment rationale’ section below based previous discussions with management and the relevant committee e.g. Audit Committee.

Finding rating	Assessment rationale
 Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance [quantify if possible]; or • Critical monetary or financial statement impact [quantify if possible = materiality]; or • Critical breach in laws and regulations that could result in material fines or consequences [quantify if possible]; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability [quantify if possible].
 High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance [quantify if possible]; or • Significant monetary or financial statement impact [quantify if possible]; or • Significant breach in laws and regulations resulting in significant fines and consequences [quantify if possible]; or • Significant impact on the reputation or brand of the organisation [quantify if possible].
 Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance [quantify if possible]; or • Moderate monetary or financial statement impact [quantify if possible]; or • Moderate breach in laws and regulations resulting in fines and consequences [quantify if possible]; or • Moderate impact on the reputation or brand of the organisation [quantify if possible].
 Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation’s operational performance [quantify if possible]; or • Minor monetary or financial statement impact [quantify if possible]; or • Minor breach in laws and regulations with limited consequences [quantify if possible]; or • Minor impact on the reputation of the organisation [quantify if possible].
 Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 4: Outstanding recommendations

Breakdown of outstanding recommendations

There were three agreed actions that have not been implemented by 31 July 2018 and one partially implemented action.

We have provided a breakdown of the original finding raised, agreed action, risk rating, status and revised due date below.

Not Implemented (3 actions)

Review	Agreed Action	Risk Rating	Original due date	Status
Contract Management	Procurement are working on a framework for contract management across the University. Contracts will be categorised based on impact and the process for managing supplier performance will be tailored to each category. This process will include guidance on the frequency of meetings with suppliers and specify what records should be maintained from these meetings.	● Medium	31/07/2018	Not implemented, revised due date of 31/07/2019.
Contract Management	Procurement are in the process of developing training for Contract Managers, this will be tailored to individuals based on the impact of the contracts they manage. This will also include introducing touchpoint meetings for high impact contracts. Guidance for contract management will include the process to be followed for terminating contracts.	● Low	31/07/2018	Not implemented, revised due date of 31/07/2019.
Fire Safety Management (Health 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.	● Medium	30/06/2018	Not implemented, revised due date of 30/11/2018.

Appendix 4: Outstanding recommendations







































Partially implemented (1 action)

Review	Agreed Action	Risk Rating	Original due date	Status
Data Security Page 216	<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>	<p>●</p> <p>High</p>	30/05/2018	<p>As updated to the Audit Committee on 7 June 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>

Appendix 5: Mapping of internal audit work


Reporting responsibilities

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

Audit unit	Governance	Risk management	Control	Value for money	Data submission
Continuous Auditing: Key Financial Systems – Phase 1					
Continuous Auditing: Key Financial Systems – Phase 2					
Continuous Auditing: Student Data Phase 1					
Continuous Auditing: Student Data – Phase 2					
International Partnerships Arrangements					
Health and Safety			N/A	N/A	
IT Technology Roadmap		N/A	N/A		N/A
HR: Process Mapping and Performance Management					
Risk Management				N/A	N/A

Key

 Testing focused on this area

 Testing was peripheral

N/A Not tested

Data submission

It is of particular note that the Audit Committee’s Annual Report must include an opinion on the adequacy and effectiveness of arrangements for the management and quality assurance of data submissions to the Office for Students (OfS) and other funding bodies. To assist the Audit Committee prepare its Annual Report, we have outlined above where our work assessed the arrangements for the management and quality assurance of data submissions (see the table on this page). We provide no conclusions or opinion on data quality.

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.

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	CONFIDENTIAL
Paper title:	Corporate Risk Report & Register – November 2018
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	John Baker, Corporate & Business Planning Manager
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to review the attached risk report

Executive Summary

The full risk register was reviewed in detail at the October 2018 meeting of the Board, and an updated version is presented here for review.

The initial section of the paper is the Board summary report, which is presented to each subsequent meeting of the Board throughout the year.

The next Update Summary section details the changes made to the full register since June, and details completed actions as well as progress notes on overdue actions, and new actions and risk amendments.

The final section is the full risk register, and both of these sections group the risks by the goals of the Corporate Strategy.

- The Audit Committee is requested to review & note the risk report & register.

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LSBU Corporate Risk: Board Summary Report – November 2018

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

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

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 and narrowing candidate pool put pressure on applicant numbers. Brand positioning doesn't articulate LSBU potential effectively and impacts on conversion rate, leading to shortfall in anticipated income, or changes entrant 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>457: 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"> • International Office runs annual cycle of training events with staff on UKVI processes. • 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 attended by Deans, DESEs & International leads • UKVI Consultant report received & actioned • Egyptian Joint Venture in development
<p>Pensions: (RF) Increasing life expectancy & poor performance of funds post 2008 leads to greater deficit</p>	<ul style="list-style-type: none"> • Annual FRS 102 valuation • Strict control on early access to scheme 	<ul style="list-style-type: none"> • Mercers costed scenarios being considered in autumn, with HR representation.
<p>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 • Graeme Wolfe appointed to Head of Information Security role and joins LSBU in August.
<p>519: 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 of 'severe' and incidents during 2017 mean that a central London location places LSBU at greater risk of being impacted by a future event.</p>	<ul style="list-style-type: none"> • Building Lockdown plans in place • Business continuity plans for critical activity reviewed annually by resilience team • Emergency Information sets at receptions • Halls Accommodation aid agreement in place with London School of Economics • Annual scenario testing with Executive 	<ul style="list-style-type: none"> • Review actions now being implemented • Gold Command transferred to VC & COO.

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>498: 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 Academic Board covers IPTE and the Passmore Centre. 	<ul style="list-style-type: none"> • Passmore Centre refurbishment project now underway • Launch events in preparation stages • Ofsted preparation task group in place
<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>6: Management Information: (RF) Past concerns expressed regarding triangulation of data from separate returns made to the designated data body, and controlled internal access to this business intelligence. 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) Systems and structures don't achieve intended facilitation of collaborative working across the institution. 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. 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

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

Date: 31st October 2018

Author: John Baker – Corporate & Business Planning Manager

Executive Lead: Richard Flatman – Chief Financial Officer

Page 7 of 7	<p>4 Critical <i>Corporate plan failure / removal of funding, degree award status, penalty / closure</i></p>		<p>2: Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL)</p>	
	<p>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></p>	<p>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) 624: LSBU Family integrated service benefits (IM)</p>	<p>3: Increasing pensions deficit reduces flexibility (RF) 457: Anticipated international & EU student revenue unrealised (PI) 467: Progression rates don't rise (SW)</p>	
	<p>2 Medium <i>failure to meet operational objectives of the University</i></p>	<p>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)</p>	<p>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)</p>	
	<p>1 Low <i>little effect on operational objectives</i></p>			
		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				

Update Summary: Overview of changes since presentation at previous Operations Board, and overdue action progress updates:

Reference	Risk title	Completed Actions & Risk Changes	Overdue Action Progress Notes	
Goal 1: Teaching & Learning: Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise				
398 (SW)	Low engagement with tech or pedagogic developments	<p>Course Director CPD delivered: A range of Professional Development events was scheduled, with topics set by the DESEs.</p> <p>Lecture Capture capability completed: 70 Dell laptops have been purchased for installation of Panopto lecture capture software, which is fully integrated with the Moodle environment, & academics are encouraged to share the equipment.</p> <p>Moodle baseline published: This was approved by DEL governance board & is available to all staff on Moodle.</p>		
467 (SW)	UG Progression rate doesn't rise	<p>New action added around LEAP workstream.</p> <p>Personal Tutoring specifications published: The specifications were approved by the DESEs, and have been published for students on the relevant website.</p> <p>Embedded Learning Development: Few modules now have pass rates below 40%, so the threshold for intervention was increased to 50%. Modules were identified through data from registry and in consultation with DESEs.</p>	<p>Re-enrolment Action re-allocated to CMO.</p> <p>Dashboards progress note: Dashboards have been created, but there is still progress to make in terms of integration into review processes and reports for the Academic Quality & Standards Committee. This work is envisaged to be developed in 2018/19.</p>	
Page 228	Goal 2: Student Experience: Seeing students as learning participants & encouraging and listening to the student voice.			
	518 (SW)	Core Student System inflexibility / failure	<p>New actions added around LEAP workstreams, and OEG project 6: Timetabling.</p>	<p>Student enquiry management progress note: The necessary funding wasn't allocated during 17/18, and this requirement will now be incorporated into the LEAP programme.</p>
	519 (SW)	Negative assessment of curriculum compliance	<p>New actions added around LEAP workstreams.</p>	<p>Curriculum set up transfer progress note: The capacity within TQE is not currently available for transfer, due to complexity of current JDs & structures.</p>
Goal 3: Employability: Ensuring students develop skills, aspiration and confidence.				
494 (SW)	Inconsistent delivery of Placement activity across institution		<p>Schools On-boarding progress note: A dedicated Placement Officer joined the team in January and whose role is to focus on this activity, and to create and run the first user group this semester, as well as linking with the software User group for best practice.</p>	
Goal 4: Research & Enterprise: Delivering outstanding economic, social and cultural benefits from our intellectual capital.				
402 (PI)	2020 £ growth through Research & Enterprise	<p>ACEEU.Org Accreditation: Action re-assigned, and timescale amended following departure of Gups Jagpal.</p>	<p>Health CPD action progress note: Business case completed, and is due for review by the SBUEL board, and confirmation awaited regarding premises for operation.</p>	

		Controls updated. New action around Cambridge Partnership.	LSBUEL revised operating structure: Clearance received from Governing body to expand remit. Paper going to Executive for approval.
Goal 5: Access: Work with local partners to recruit, engage and retain students with the potential to succeed.			
495 (PB)	Impact of Higher Apprenticeship degrees	New actions around Ofsted inspection preparations.	Passmore Centre progress note: Progress on the refurbishment project is progressing well. IPTE structure progress note: Pat Bailey appointed to national UCAS Advisory Group re apprenticeship application processes, to inform marketing/recruitment strategies, and link to LSBU family approach.
Goal 6: Internationalisation: Developing a multicultural community of students & staff through alliances & partnerships.			
457 (PI)	International & EU student £income unrealised	Risk likelihood reduced. Financial model action completed: The financial model for partnerships has now been implemented with BUE, and is now being reviewed with ASU. The model will vary by partner & country, but will follow a formal approval process, and we have facilitated direct engagement between Professional Service Group staff between partners. Overseas Offices action completed: Partnership agreements are now in place, and offices are now operational in Beijing, Shanghai, India, Jakarta & Lagos, with locals targets set and annual contractual performance review processes. Internationalisation Campaign completed: School Roadshows were run in conjunction with Legal and Finance on developing & managing partnerships attended by Deans, DESEs & International leads, and produced SWOT reviews of current activity & potential growth opportunities, including student mobility in both directions. New action regarding Egyptian joint venture:	EU Partners progress note: Potential partnerships with Latvia & Portugal are in development, along with a new partnership with ISM from Vilnius in Lithuania, who visit LSBU in Sep.
517 (DP)	Impact of EU Referendum		
Goal 7: People & Organisation: Attracting proud, responsible staff, & valuing & rewarding their achievements.			
1 (DP)	Response to environmental change & reputation	New actions added around LEAP programme, and OEG project 2: Strategy & Planning.	
362 (PB)	Poor Staff Engagement	Engagement Survey results circulated.	

Reference	Risk title	Completed Actions & Risk Changes	Overdue Action Progress Notes
		New action around OEG project 5: Service Charters & Business Partners.	
Goal 8: Resources & Infrastructure: Investing in first class facilities and outcome focused services, responsive to academic needs.			
2 (NL)	Home UG Recruitment income targets	<p>Residual likelihood reduced:</p> <p>Response protocols action completed: The timings & contents of full application cycle elements agreed with Schools for 19/20 entry - with full details of interviews, testing, open days, & all aspects involving academic staff.</p> <p>New actions added around LEAP workstream, course development lifecycle & Welcome week OEG projects, and research activity around campaign spend and value add incentives.</p>	<p>School & College Outreach progress note: MAT & Lambeth liaison plans already in place. Further action on hold pending recruitment to a new Grade 8 position to develop a more tactical approach to outreach, involving greater linkage with academic staff.</p> <p>Corporate Comms plan progress note: PR agency appointment on hold pending restructure of the team. Revised plan to be developed by Dec, to shift focus towards strategic approach to conveying brand strengths to audiences.</p> <p>Brand Architecture & Narrative progress note: Proposal to be shared with Exec in Autumn when agendas permit.</p> <p>School Web pages progress note: Stage 1 updates were completed ahead of Clearing. Stage 2 updates; a further re-design to incorporate LSBU group aspects, is being actioned for Feb 2019.</p> <p>Institutional Brand Campaign: Marketing & Recruitment plan for 19/20 entry is being reviewed in early September, with School level marketing plans (digital) being approved & finalised by the end of September.</p>
3 (RF)	Pensions deficit	Actions combined to develop way forward utilising Mercer's costed scenarios.	
6 (RF)	Quality and availability of Management Information	Controls updated	<p>Phase 2 of MIKE Data Warehouse contents progress note: The PPA team has been restructured & includes the BI & Reporting team, & this action is included within the agreed 18/19 objectives of the team.</p> <p>Performance Scorecards progress note: These metric sets are being taken forward as part of the development process for the next Corporate Strategy, and will be operationalised during 18/19.</p>
14 (WT)	Loss of NHS income	<p>Pre Reg applicant process streamlined: The process was redesigned to remove unnecessary forms, and to integrate testing and interview appointments within the recruitment cycle. For the 19/20 applicant cohort, we will no longer be conducting literacy & numeracy testing, which will further streamline the applicant journey.</p>	<p>Health CPD action progress note: Re risk 402 - business case for a training company has been drafted, approved by Executive, & is due for review by SBUEL board meeting.</p>
37 (RF)	Impact & affordability of Capital Investment plans	Residual likelihood increased, and risk re-focused around impact as well as cost:	

		<p>Finalysis Loan proposal on hold: Revolving credit facility is on hold for the time being, due to timing lag inv current estates activity</p>	
305 (SW)	Corporate & personal data security & use	<p>Controls updated.</p> <p>Head of Digital Security Inducted: Graeme Wolf joined LSBU in August.</p>	<p>Windows 2003 action progress note: We have circa 300 servers at LSBU, and those running Windows2003 have reduced from about 30 to 5 in the past 9 months, and these 5 are scheduled for upgrade or shutdown in the next couple of months.</p>
584 (PB)	External incident impacts operations or access		
624 (IM)	Benefits of LSBU Family integrated service project unrealised	New risk entry	

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Standard Risk Register



Report Date	30 Oct 2018
Risk Status	Open
Risk Area	Corporate
Control Status	Existing
Action Status	Outstanding

A 15-20 #1 Teaching & Learning: Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
398	Academic programmes do not employ suitable technological and pedagogic developments to support students and promote achievement	Shan Wareing	<p>Cause: Sustained underinvestment in expertise and dedicated human resource to support utilisation of learning technologies, comparative to new and existing competitors.</p> <p>Effect: LSBU does not effectively exploit the learning potential of new technologies, impacting negatively on student retention, achievement, or cost base (eg in terms of physical estate, inability to use virtual facilities) and our ability to deliver new provision or reach new markets. Curriculum delivery models do not adapt sufficiently to remain relevant, jeopardising the employability of LSBU graduates. More flexible and efficient educational models which enable us to remain adaptable and competitive are out of institutional reach Support mechanisms do not provide some students with the learning support they need to navigate and succeed in the learning environment so retention does not meet the targets within the 5 year forecast. Market appeal of courses is impaired, impacting negatively on recruitment.</p>	I = 2 L = 2 Medium (4)	<p>CRIT (Centre for Research Informed Teaching) reports regularly to the Student Experience Committee & to the Quality & Standards Committee on the Achievements of work undertaken.</p> <hr/> <p>Delivery of the Technologically Enhanced Learning Strategy (TEL) through the Educational Framework and Quality Processes, monitored by Academic Board.</p> <hr/> <p>Routine analysis of Panopto analytics to review usage across the institution.</p>	I = 2 L = 2 Medium (4)			



A 15-20 #1 Teaching & Learning: Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
467	Progression rate across undergraduate programmes does not rise in line with targets of Corporate Strategy	Shan Wareing	<p>Cause: Students admitted through clearing with lower tariff & course commitment. High-risk students are not identified in a timely way or supported sufficiently. Failures in timetabling, organisation and communication increase during periods of change, & high-risk students are more vulnerable. New initiatives don't engage students. Provision fails to meet immediate needs of students entering through non-traditional access routes. Unable to finance student support adequately to meet level of demand.</p> <p>Effect: Progression rate fails to increase sufficiently . HEFCE, or OFS could view LSBU as high risk. Data could have negative impact in TEF metric assessment. Loss of income from UG non-progression to levels 5 and 6.</p>	<p>I = 3 L = 2 High (6)</p> <p style="background-color: red; color: black;">High (6)</p>	Dean's School reports for REC and TEF are reviewed at QSC and Academic Board, who report to the board of Governors.	<p>I = 3 L = 2 High (6)</p> <p style="background-color: red; color: black;">High (6)</p>	Oversee development of revised MIKE dashboards with new progression dimensions, and embed within core planning cycles and present to Quality & Standards committee.	Richard Duke	31 May 2018
					Learning Development Team identified Modules with low pass rates and use interventions to review pedagogic practice.		Improve the status of re-enrolment as a core university business process, leading a review and improvement of current process, and establishing an identified business owner.	Nicole Louis	31 Jan 2019
					Student Engagement Interms make contact with all students meeting certain criteria for exam or coursework omission.		Oversee action taken against 18/19 Roadmap priority to reduce the quantity of assessment, review the approach to assessment, and to reduce the proportion of assessment by examination.	Janet Bohrer	31 Jul 2019
					Student Welfare advice and support provided by Student Life Centre		Oversee LEAP 'Educational Provision' workstream, which is planned to increase our ability to provide course leaders with student data and the ability to track student engagement.	Shan Wareing	30 Jul 2020
					Study Support & Skills Sessions provided by the Library & LRC				
					The implementation of the Educational Framework supports a more inclusive curriculum in terms of curriculum content and pedagogy				

A 15-20 #2 Student Experience: Seeing students as learning participants & encouraging and listening to the student voice.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
518	Core student systems have limited flexibility for market adaptation or rely on manual work arounds	Shan Wareing	<p>Cause: Core course administration processes & systems (QL, timetabling, Moodle, MyLSBU) require manual and emergency interventions to function. Non standard delivery challenges existing protocols and procedure. System infrastructure limitations, or slow change mechanisms may not meet all the needs of emerging delivery models, from student or management perspective</p> <p>Effect: Lack of clear information provision to students and staff, with negative impact on student experience & reputational damage. Students fail to attend teaching sessions, submit work on time or receive marks, so progression suffers. Staff compensating for systems failures, or inventing work arounds are distracted from other activity leading to failures elsewhere. Staff morale suffers and sickness rate and turnover rate increase.</p>	<p>I = 2 L = 3 Medium (6)</p>	LEAP Programme Board meets monthly to review progress against work packages across all workstreams.	<p>I = 2 L = 2 Medium (4)</p>	Implement a modern student enquiry management approach, to deliver a holistic approach to information provision and query management	Kirsteen Coupar	31 Jul 2018
					LEAP Programme Progress Updates scrutinised at Academic Board, to oversee progress and assess fit with strategy and existing practice.		Complete discovery phase (with Carol Rose) of OEG project 6: Timetabling.	Patrick Callaghan	31 Oct 2018
					LEAP Programme provides regular progress updates to MPIC Committee for Board scrutiny of progress against LEAP work packages.		Complete Market Sounding for technology solutions in relation to LEAP project.	Penny Green	31 Oct 2018
					Operational Issues reported and tracked through ICT TopDesk system, with internal escalation protocols.		Issue tender for Student Information System (LEAP)	Penny Green	29 Mar 2019

A 15-20 #2 Student Experience: Seeing students as learning participants & encouraging and listening to the student voice.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
519	Negative Assessment of Curriculum Compliance	Shan Wareing	<p>Cause: Transition to OfS regime could result in new approach to monitoring or review, or to standards. Increase in activity could lead to overstretched teams and a failure to complete adequate quality processes in the Schools or PSGs. Academic staff insufficiently prepared for quality processes, (new to HE or lack of appropriate professional development). Significant changes to curriculum not processed through formal mechanisms. High risk activity with partners (placement, international partners, UK partners (particularly FE or schools education) does not have adequate resource or expertise allocated to it to identify and manage risks.</p> <p>Effect: Quality code processes not followed, leading to failures in quality, and negative external assessment. Negative impact on Board of Governors ability to sign off OfS assurances or returns. Potential for unwelcome result from Annual Provider Review, TEF process submissions, or indeed achievement of OfS registration conditions, impacting on University status. Leading to negative impact on income & reputation, through recruitment levels, and differing fees. Negative judgement by Competition and Markets Authority and cost of legal challenge. Could act as barrier to recruitment of international students, further affecting income and reputation.</p>	<p>I = 3 L = 3 High (9)</p> 	<p>Academic Audit process monitored by Academic Board via periodic reports from Quality & Standards Committee (QSC). OfS Registration Task Force reporting regular progress to Executive, with work stream on CMA compliance.</p>	<p>I = 3 L = 1 Medium (3)</p> 	Oversee transition of Curriculum Set up responsibility into the Registry team.	Ralph Sanders	31 Jul 2018
							Oversee translation of all existing course specifications into new Educational Framework format, incorporating CRIT guidance principles, to ensure parity with newly validated courses.	Janet Bohrer	31 Jul 2019
							Oversee delivery of Educational Provision & Customer Journey workstreams of LEAP programme, to develop an holistic single source for course development and promotion.	Shan Wareing	30 Mar 2020



A 15-20 #3 Employability: Ensuring students develop skills, aspiration and confidence.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
494	Inconsistent delivery of Placement activity across institution	Shan Wareing	<p>Cause: Insufficient human resource allocation centrally and in Schools Insufficient expertise within LSBU. Lack of allocation of sufficient central and School human resource. Speed of implementation without underpinning project planning or learning from the sector. Lack of assurance over offsite workplace conditions.</p> <p>Effect: Placement practice may not comply with Chapter B10 of the Quality Code, so may be a quality risk. LSBU may not be able to provide a placement, internship or professional opportunity for all UG students entering in 2016 and after, leading to a CMA risk Placements may not deliver a good student experience, creating a risk to achievement of NSS improvement plans. Duty of care to students re workplace safety may not be met, creating a reputational risk. Potential insurance risk.</p>	I = 2 L = 2 Medium (4)	Utilisation of new software platform 'InPlace' enables efficiencies in the Schools & the centre, and supports constancy of process and knowledge sharing.	I = 2 L = 1 Low (2)	Complete onboarding of remaining Schools to InPlace Operational procedures and User Group.	Chloe Gopika Devi De Boer	31 Jul 2018

A 15-20 #4 Research & Enterprise: Delivering outstanding economic, social and cultural benefits from our intellectual capital.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
402	Income growth expected from greater research and enterprise activity does not materialise	Paul Ivey	<p>Cause:</p> <ol style="list-style-type: none"> 1) Challenging market environment with high competition for similar opportunities and funders. 2) Lack of proven forecasting systems & recent static performance 3) Aggressive and complex turnaround required carries intrinsic high risk. 4) Dependence on HSC CPPD income (circa 50% of enterprise£) 5) New structures fail to entice & encourage academic participation in activities. 6) Limitations of academic capacity and capability. 7) Internal competition for staff time over & above teaching. <p>Effect:</p> <ol style="list-style-type: none"> 1) Income growth expectations unrealised. 2) Undiversified enterprise portfolio. 3) Lower financial contribution, as an increased proportion of delivery is sourced outside core academic staff. 4) Increased dependency on generating enterprise opportunities via Knowledge Transfer outreach as opposed to an academic-led stream, results in higher Opex costs. 5) The holistic teaching and student experience benefits are reduced. 6) Proportion of staff resource diverted to winning new funding is significantly increased. 7) Reduced income adversely affects the research environment, publication rates, evidence of impact, student completions, & ultimately LSBU REF 2020 rating. 8) Inability to align academic resource with identified market opportunities. 	I = 2 L = 2 Medium (4)	<p>Annual AURA audit assesses levels & quality of staff outputs.</p> <p>Bid writing workshops for academic staff delivered routinely</p> <p>Enterprise Business Plan & Strategy submitted for approval annually to Executive.</p> <p>Operation of Sharepoint Enterprise Approval Process for authorisation of new income opportunities.</p> <p>Progress against approved REF 21 Strategy reviewed quarterly.</p> <p>R&E activity pipeline reports (financial & narrative) reviewed at monthly meetings of Business Planning Group.</p>	I = 2 L = 2 Medium (4)	<p>Establish a CPD offering for Health Professionals in collaboration with School of Health & Social Care.</p> <p>Establish revised operating structure for new SBUEL+ enterprise subsidiary.</p> <p>Agree Heads of Terms for Cambridge partnership, and organise a launch event.</p> <p>Oversee submission for aceeu.org accreditation. (Accreditation Council for Engaged & Entrepreneurial Universities)</p> <p>Oversee the implementation and roll out of a Central Research & Enterprise Administration platform, to enable seamless management and reporting from point of award onwards. (date tbc)</p>	Paul Ivey Paul Ivey Paul Ivey Linsey Cole Yvonne Mavin	30 Nov 2017 31 Jan 2018 21 Dec 2018 28 Feb 2019 31 Jul 2019

A 15-20 #5 Access: Work with local partners to recruit, engage and retain students with the potential to succeed.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
495	Impact of Higher Apprenticeship delivery on HE business or institutional forecast position	Pat Bailey	<p>Cause: Higher Apprenticeship degrees present an opportunity to grow student numbers in a new market. Offering and administrating apprentice schemes requires compliance with ESFA funding regulations, with revised funding models depending on successful EPAs, and open up new areas of the institution to scrutiny from Ofsted. The economic returns of this activity could be impacted if there are any caps imposed on current funding levels, or if the full cost of administration exceeds current estimations. Learners admitted to programmes without accredited achievement of all required competencies may prejudice completion rates, with Ofsted impact.</p> <p>Effect: These degrees could cannibalise existing employer-sponsored students. LSBU currently has c.1,400 employer sponsored students on part-time courses, so (£3.3m) could be affected. SFA audit failure, or lower than expected completion rates could lead to funding clawback. Ofsted inspection result of 4 would lead to removal from register, reputational damage and income loss of up to £8m over life of forecast. Result 3 could impact on current contracts with Employers.</p>	<p>I = 3 L = 2 High (6)</p> 	<p>6 monthly progress report from Apprenticeships Steering Group scrutinised by Academic Board covers IPTE and Passmore Centre.</p> <p>Monthly meetings of Apprenticeships Committee review all related operational matters.</p>	<p>I = 3 L = 1 Medium (3)</p> 	Determine structure of IPTE when shape of LSBU family confirmed.	Pat Bailey	30 Sep 2018
							Arrange soft launch of Passmore Centre following refurbishment programme.	Pat Bailey	31 Oct 2018
							Oversee development of Self Assessment Report (SAR) for 16/17 & 17/18 delivery, with integrated Quality Improvement Plan.	Janet Bohrer	31 Oct 2018
							Oversee piloting of new Literacy & Numeracy support schemes to develop apprentices to the required levels in some subject areas.	Pat Bailey	30 Nov 2018
							Test inspection readiness report through mock Ofsted inspection, with outcome report presented to Quality & Standards Committee.	Janet Bohrer	21 Dec 2018
							Arrange formal launch of Passmore Centre following refurbishment & soft launch.	Pat Bailey	29 Mar 2019

A 15-20 #6 Internationalisation: Developing the multicultural community of students and staff through international alliances & partnerships.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
457	Anticipated international & EU student revenue unrealised	Paul Ivey	<p>Cause: UK government process / policy changes. Operational issue impacts current highly trusted sponsor (HTS) status. Issues connected with English language test evidence. TNE partnerships are not approved, present quality risks, or break down due to absence of adequate support structures, or when contacts relocate.</p> <p>Effect: LSBU unable to organise visas for students who wish to study here. International students diverted to other markets. Anticipated TNE growth does not materialise. Expected income from overseas students unrealised. Conversion impact of LSBU TNE students doesn't materialise. TNE enterprise expectations unrealised.</p>	I = 3 L = 3 High (9)	<p>Engagement between International Office, Registry & School Admin teams to ensure UKVI requirement compliance, specifically regarding:</p> <ul style="list-style-type: none"> - Visa applications and issue of CAS - English language requirements - Reporting of absence or withdrawal <p>International & EU recruitment reports presented to Executive on an exception basis above defined thresholds.</p> <p>International Office runs annual cycle of training events with staff to ensure knowledge of & compliance with UKVI processes.</p> <p>Regular reporting of Visa refusal rates to Director of Internationalisation by Immigration Team.</p>	I = 3 L = 2 High (6)	<p>Develop new institutional partnerships with EU partners.</p> <p>Oversee set up & launch of LSBU international school of hospitality & tourism IBC in Cairo.</p>	Stuart Bannerman	31 May 2018
								Stuart Bannerman	30 Sep 2019

A 15-20 #6 Internationalisation: Developing the multicultural community of students and staff through international alliances & partnerships.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
517	Impact of EU Referendum result on operating conditions & market trends	David Phoenix	<p>Cause: Following the vote to 'Leave', the Government is working towards a plan to extract the UK from the European Union.</p> <p>Effect: Staff impact: The outcome could impact on the ability of some existing staff to remain in the UK, and could impair the ability for future recruitment, both from Europe, and from other overseas territories. Recruitment impact: Currently EU students pay home fees & can access the UK student loan system. It is likely that higher fees and removal of this access will have a significant impact on the appeal of the UK to European applicants long term. Additionally the reporting of the Brexit outcome is having a negative impact on the reputation of the UK as a welcoming destination. These impacts on the sector could also cause changes in recruitment patterns at well-ranked institutions, which could have a negative impact on applicant pools elsewhere. Research Funding: Leaving the EU is likely to remove the ability of LSBU to partner in EU research projects, and access Horizon 2020 funding opportunities and limit access to structural funds. Legislative Compliance: There could be additional administration cost in updating many EU compliant processes if regulations are amended. Impact on bond yields could affect year end pension liabilities. Supplier contracts could be affected.</p>	I = 2 L = 3 Medium (6)	Use of London economic models to estimate impact on student recruitment and model reductions in EU student numbers and identify mechanisms to compensate	I = 2 L = 1 Low (2)	Consider developing the LSBU campus at Cambridge with TWI to foster greater linkages with industry.	Paul Ivey	21 Dec 2018
							Monitor development of proposals around Shared Prosperity fund.	David Phoenix	31 Jul 2019

A 15-20 #7 Strategic Enabler - People & Organisation: Attracting proud, responsible staff, & valuing & rewarding their achievements.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
1	Organisational response to policy changes, external perception & shifts in competitive landscape	David Phoenix	<p>Cause:</p> <ul style="list-style-type: none"> - Government's HE funding review recommendations - Changes to fee / loan funding models: access & repayment - Transition to OfS as sector regulator with risk-based assessment approach - Increased competition from Private Providers and other HEIs post SNC - The Apprenticeship Levy & programme development - Evolving external assessment through TEF mechanisms - Failure to anticipate change - Failure to position (politically) & (capacity/structure) <p>Effect:</p> <ul style="list-style-type: none"> - Reduction to unit of resource per student / price group - Failure to differentiate provision - Workforce out of alignment with portfolio - Impaired external recognition through subject level TEF - Reduced student recruitment - Burden of response to regulatory intervention - Registration conditions imposed by OfS (potential loss of University Title and access to funding mechanisms) 	I = 2 L = 3 Medium (6)	<p>Annual articulation of corporate strategy by Executive through Corporate Roadmaps.</p> <hr/> <p>Chief Marketing Officer on Executive leads strategic development of brand and portfolio.</p> <hr/> <p>Corporate Affairs unit maintain relationships with key politicians and influencers, in local boroughs and amongst FE providers.</p> <hr/> <p>Financial controls, forecasting process & restructure capacity enable tracking of forward operating surplus target.</p> <hr/> <p>Horizon scanning report produced weekly by the Corporate Affairs Unit</p> <hr/> <p>Local Roadmap alignment with Corporate Roadmaps ensures linked strategic focus across operational areas, with 6 monthly Organisation Effectiveness reviews by VC.</p> <hr/> <p>PPA team provide Senior Managers with trend analysis & benchmarking against KPIs, and access to MIKE platform for information analysis.</p>	I = 2 L = 1 Low (2)	<p>Consolidate findings from discovery phase of OEG project 2: Strategy & Planning.</p> <hr/> <p>Consider future skills requirements of LSBU group as part of wider review of staff costs.</p> <hr/> <p>Develop LSBU family to align with Government strategy and opportunities around technical education.</p> <hr/> <p>Oversee full process review by OfS Task Force to ensure ongoing obligations from registration are fully embedded within routine operations.</p> <hr/> <p>Monitor outcome of HE review, and model impact of range of potential outcome scenarios on the institutional forecast.</p> <hr/> <p>Develop SBE as a commercial entity to exploit opportunities around international and U.K. CPD.</p> <hr/> <p>Oversee LEAP programme; to transform student journey experience, administrative efficiency, & management insight through revision of core infrastructure and related processes.</p>	Richard Duke David Phoenix David Phoenix James Stevenson Ralph Sanders Paul Ivey Shan Wareing	31 Oct 2018 21 Dec 2018 21 Dec 2018 31 Dec 2018 28 Feb 2019 30 Sep 2019 31 Jul 2020

A 15-20 #7 Strategic Enabler - People & Organisation: Attracting proud, responsible staff, & valuing & rewarding their achievements.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
362	Low staff engagement or staff cost containment impacts performance negatively	Pat Bailey	<p>Cause:</p> <ul style="list-style-type: none"> •Systems and structure do not facilitate teamwork between areas of the University •Staff feeling that they do not have easy access to relevant information directly linked to them and their jobs •Poor pay and reward packages •Poor diversity and inclusion practises •Limited visibility of Leadership •Lack of quality physical estate •Frozen fee levels & continued recruitment challenges have contributed to flat income predictions & the planned staff cost reduction programme <p>Effect:</p> <ul style="list-style-type: none"> •Decreased customer (student) satisfaction •Overall University performance decreases •Low staff satisfaction results •Increased staff turnover •Quality of service delivered decreases •Disruption in service provision •Skills / knowledge gaps that impact on delivery 	I = 3 L = 3 High (9)	<p>Central Comms messages cascaded to Congress / Town Hall Meetings within each School & PSG.</p> <hr/> <p>Direct staff feedback is encouraged through the Continuing the Conversation VC events, & via Yammer.</p> <hr/> <p>HR Business Partners manage all change activity</p> <hr/> <p>Leadership forum group established to connect management levels</p> <hr/> <p>New social spaces and forums for staff enable staff to collaborate outside of work structures.</p> <hr/> <p>Organisational Effectiveness Meetings review progress against Workforce development and engagement plans.</p> <hr/> <p>Planning framework provides golden thread connecting Corporate Strategy, through Roadmaps to Staff Appraisal.</p> <hr/> <p>Regular engagement with Unions on staff matters</p> <hr/> <p>Shape & Skills approach to review of staff base</p>	I = 3 L = 1 Medium (3)	<p>Identify high impact activities through review of 2018 engagement survey results, and develop associated action plan.</p> <hr/> <p>Complete discovery phase of OEG project 5: Service Charters & Business Partners.</p>	Pat Bailey	31 Oct 2018
								Markos Koumaditis	30 Nov 2018

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
2	Course portfolio, or related marketing activity and admissions processes do not achieve Home UG & PG recruitment targets	Nicole Louis	<p>Cause:</p> <ul style="list-style-type: none"> - Increased competition from selective institutions and private providers - Failure to articulate compelling brand to applicants - Long term payback period of re-positioning activity - Declining applicant pool - Excessive churn within MAC workforce - Lack of ability to anticipate demand and re-shape provision. - Negative reputational impact of unmanaged external events - Portfolio or modes of delivery not aligned with market demand - Change to historic conversion levels amongst applicants - Limited internal focus on PG developments & recruitment - Impact of differentiated fees on applicant behaviour - Reduced applicant awareness during clearing period as campaign funds directed into revised brand. - Reduced budget for campaign activities <p>Effect:</p> <ul style="list-style-type: none"> - Campaign impact / reach reduced - Under recruitment against targets - Related loss of income, and impact on corporate ambitions - Undermining of individual course profitability 	I = 4 L = 3 Critical (12)	Advance predictions of student recruitment numbers informs the Annual five year forecast submitted to Hefce each July	I = 4 L = 2 Critical (8)	Plan for corporate comms shared with Executive.	Judith Barnard	30 Nov 2017
					Clearing Opens in July for BTEC students		Develop revised School & College Outreach Strategy, with broader footprint outside local boroughs, which includes LSBU Family MAT institutions.	Steven Brabenec	30 Nov 2017
					Conversion trend data analysis allows identification of target areas for focus and resource.		Executive review of proposal for LSBU Brand Architecture and further refinement and test results for Brand Narrative.	Judith Barnard	31 Jan 2018
					Cycle of School student number reviews, allow MAC stress testing of TM1 enrolment forecasts, and development of joint targets for next recruitment cycle.		Complete research project to further analyse impact of marketing campaign spends to ensure ROI calculations underpin future prioritisation, and success of current 'Value Add' market incentives.	Nicole Louis	28 Feb 2018
					Detailed individual School campaigns planned annually by MAC business partners, dovetailing with overall LSBU approach & brand.		Complete revision of School web page content & imagery.	Steven Brabenec	30 Mar 2018
					Digital campaign optimisation - reviewed monthly by campaign manager & ad agency.		Develop creative institutional brand campaign with revised narrative and brand architecture for start of next cycle.	Nicole Louis	31 Jul 2018
					Main Cycle Applications reports shared weekly with Leadership group & Executive, and reviewed at each FP&R Committee.		Complete closure report for OEG project 1: Admissions & Enrolment.	Steven Brabenec	17 Oct 2018
					Marketing Operations Board reviews latest applications cycle data fortnightly.		Deliver Customer Journey workstream of LEAP programme, with 'Journeys, Personas & Touchpoints' initial work package.	Nicole Louis	30 Nov 2018
							Develop a revised basket of brand recognition metrics for routine tracking, augmenting the current local catchment brand recognition metric with other stakeholder and actual applicant perspectives.	Nicole Louis	29 Mar 2019

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
							Lead (With David Mead) the Organisational Effectiveness Group (OEG) project 3 on course lifecycle management, working with MAC to ensure that market insight is properly integrated into the course consideration and validation cycle.	Janet Jones	30 Apr 2019
3	Staff pension scheme deficit increases	Richard Flatman	<p>Cause:</p> <ul style="list-style-type: none"> - Increased life expectancies - Reductions to long term bond yields, which drive the discount rate - Poor stock market performance - Poor performance of the LPFA fund manager relative to the market - Further change to accounting requirements for TPS & USS schemes <p>Effect:</p> <ul style="list-style-type: none"> - Increased I&E pension cost means other resources are restricted further if a surplus is to be maintained - Balance sheet is weakened and may move to a net liabilities position, though pension liability is disregarded by HEFCE - Significant cash injections into schemes may be required in the long term - Inability to plan for longer term changes 	I = 3 L = 3 High (9)	<p>Annual FRS 102 valuation of pension scheme</p> <p>DC pension scheme for SBUEL staff.</p> <p>Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars by FMI Management team.</p> <p>Regular participation in sector review activity through attendance at LPFA HE forum, BUFDG events & UCEA pensions group by CFO or deputy.</p> <p>Reporting to every Board of Governors meeting via CFO Report</p> <p>Strict control on early access to pension at redundancy/restructure</p> <p>Tight Executive control of all staff costs through monthly scrutiny of management accounts</p>	I = 3 L = 2 High (6)	Consider way forward following receipt of the Costed Scenarios from Mercers, including HR representation.	Richard Flatman	30 Nov 2018

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A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
6	Management Information is not meaningful, reliable, or does not triangulate for internal decision or external reporting	Richard Flatman	<p>Cause:</p> <ul style="list-style-type: none"> - Lack of understanding of system dependencies - Proliferation of technology solutions - Data in systems is inaccurate - Data in systems lacks interoperability - Resource constraints & insufficient staff capability delay system improvement - Lack of data quality control and assurance mechanisms <p>Effect:</p> <ul style="list-style-type: none"> - Insufficient evidence to support effective decision-making at all levels - Inability to track trends or benchmark performance - Internal management information insufficient to verify external reporting - Unclear data during recruitment cycle, esp. in clearing - League table position impaired by unmanipulated data - Failure to satisfy requirements of Professional, Statutory and Regulatory bodies (NHS, course accreditation etc) 	I = 3 L = 3 High (9)	<p>Internal Auditors Continuous Audit programme provides regular assurance on student and finance information, including UKVI compliance.</p> <hr/> <p>Sporadic internal audit reports on key systems through 3 year IA cycle to systematically check data and related processes:</p> <ul style="list-style-type: none"> - HR systems - Space management systems - TRAC - External returns <hr/> <p>Systematic data quality checks and review of external data returns prior to submission to HESA by PPA team.</p>	I = 3 L = 1 Medium (3)	<p>Develop and circulate a set of performance scorecards for Professional Service Groups and Schools, for review at Operational Effectiveness Meetings.</p> <hr/> <p>Deliver phase 2 of MIKE data programme, to incorporate Financial and HR data in management platform, with related dashboards for management teams.</p> <hr/> <p>Established revised corporate dataset and related dashboard within MIKE for monitoring applications & associated income flows for 2019/20 entrants.</p>	Richard Duke	31 May 2018
								Richard Duke	29 Jun 2018
								Richard Duke	21 Dec 2018

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
14	Loss of NHS contract income	Warren Turner	<p>Cause: NHS financial challenges/ structural changes resulting in a total review of educational comissioning by Health Education England with an expected overall reduction in available funding (affecting CPPD). London Educational Contract bursaries ceasing for new Pre-Registration students from Sept 2017, with students accessing student loans. Loss of placement capacity.</p> <p>Effect: Recruitment to contracted programmes could dip following shift away from bursaries to tuition fees, leading to reduction in income. Reduced quality of applicants Reduced staff numbers Reduced student numbers</p>	I = 2 L = 3 Medium (6)	Monitor quality of courses (QCPM and NMC) annually in autumn (QCPM) and winter (NMC)	I = 2 L = 2 Medium (4)	Consult with employer stakeholders and GMC re the development of a Physician Associate training programme at LSBU.	Warren Turner	31 Jul 2018
					Named Customer (Key Account) Manager roles with NHS Trusts, CCGs and HEE, managing relationships including placement provision.		Following LSBU lead on the National Trailblazer for Advance Clinical Practitioner (ACP), to ensure that our portfolio includes a Level 7 Apprenticeship for ACP ready for NHS procurement to begin.		
					Summary of Key Accounts presented at monthly School Exec Team Meetings for review and action where necessary.		Revalidate nursing degree programmes to meet both the new NMC standards and to incorporate apprenticeship mode of delivery ready for NHS procurement of the Nurse Degree Apprentice.		
					Support provided to applicants with numeracy and literacy test preparation.		Validation of new FdSc Nursing Associate course to meet the forthcoming standards produced by the NMC for future registration of this role (following our useful pilot of this course with Barts Health and GOSH).		

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
37	Impact or affordability of Capital Expenditure investment plans	Richard Flatman	<p>Cause:</p> <ul style="list-style-type: none"> - Insufficient articulation of benefits & impact of investment - Failure to anticipate future market drivers or learner expectations - Poor project controls or governance - Lack of capacity to manage/deliver projects - Reduction in agreed/assumed capital funding levels - Reduction in other government funding <p>Effect:</p> <ul style="list-style-type: none"> - Adverse financial impact (Reduced surplus) - Reputational damage - Anticipated improvements to student experience unrealised - Infrastructure falls behind competitor provision - Applicant appeal declines, affecting ability to attract new students 	I = 3 L = 3 High (9)	<p>Capex reporting is embedded into management accounts provided to each meeting of the FP&R Committee, & into financial forecasts approved annually by Board.</p> <hr/> <p>Estates & Academic Environment PSG have local project methodology, with project controls, & governance applied to all Capex projects.</p> <hr/> <p>Financial regulations require all major (>£2m) capital expenditure to receive Board approval</p> <hr/> <p>Full Business Cases prepared; using Executive approved process - including clarity on cost and funding, for each element of Estates Strategy.</p> <hr/> <p>Major Projects & Investments Committee (MPIC) reviews all property related capital decisions, and is empowered to approve all unplanned capital expenditure > £500K but <£1M.</p>	I = 3 L = 2 High (6)	<p>Appoint expert to advise on options for St George's Quarter & test value of proposals produced by Clive Crawford Associates.</p>	Paul Ivey	30 Nov 2018
305	Corporate & personal data not accessed or stored securely, or processed appropriately	Shan Wareing	<p>Cause:</p>	I = 3 L = 2 High (6)	<p>A privacy impact assessment is a required stage of the ICT project initiation process.</p> <hr/> <p>All changes to digital infrastructure reviewed quarterly by ICT Technical Roadmap Board.</p>	I = 3 L = 1 Medium (3)	<p>Oversee complete upgrade of all remaining Windows XP and Windows 2003 machines.</p>	Graeme Wolfe	22 Dec 2017

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
			Unauthorised access to data Inappropriate use of personal data Loss of unencrypted data assets Breach of digital security; either en masse (e.g. cyber attacks) or specific cases (e.g. phishing scams) Regulatory failure Use of unsupported storage locations Effect: Financial penalty under General Data Protection Regulations. Cost and impact of staff resource diverted to deal with issues, Staff downtime when systems unavailable Reputational damage, undermining academic credibility. Compromise of competitive advantage.		IT access permissions linked directly with live iTrent HR system records through Active Directory account synchronisation. <hr/> Logical security protocols relating to passwords require change every 6 months, and multiple character combinations. <hr/> Quarterly Mandatory Training Compliance reports circulated to Level 2 managers, with info on staff compliance with data protection & data security training. <hr/> Relevant supplier contracts all contain article 28 statement regarding any data processing that occurs. <hr/> Robust breach notification process to close down & contain any breach. <hr/> Weekly Change Control Board & Technical Design Authority chaired by Director of ICT Services reviews all proposed technical changes to infrastructure prior to implementation. <hr/> Weekly running of infrastructure vulnerability management software test results reviewed by Head of Digital Security				

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
584	External incident compromises campus operations or access	Pat Bailey	<p>Cause: Incident in South London area requires emergency response and restricts freedom of movement</p> <p>Effect: Staff & students unable to reach / leave the campus Interruption to key activities or processes Requirements for alternative accommodation / provision for halls residents</p>	I = 2 L = 2 Medium (4)	<p>Building Lockdown plans in place for implementation by the Security Team as required.</p> <p>Business continuity plans for critical activity reviewed annually by resilience team.</p> <p>Emergency Information sets present at every reception building on campus (Floor Plans, Loudhailers & Hi-Vis Jackets)</p> <p>Entire Executive team trained in bespoke incident response approach by Jermyn Consulting.</p> <p>Halls Accommodation aid agreement in place with London School of Economics.</p> <p>Major incident response mechanisms, including Alert Cascade notification system – tested annually.</p>	I = 2 L = 2 Medium (4)	Oversee implementation of recommendations arising from the incident response plan scenario test.	Luke Fletcher	21 Dec 2018

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
624	Benefits of LSBU Family integrated service project unrealised	Ian Mehrtens	<p>Cause: Unforeseen elements or changing market conditions present additional obstacles. Challenge of integrating services proves more complicated than envisaged. Pressure on staff time following cost containment programme. Unforeseen issues hamper implementation of plan. 100 day turnaround plan encounters resistance or complications. HE review has negative impact on available FE funding & business plan. Transaction unit imposes additional conditions. Market share impacted by transition.</p> <p>Effect: Efficiency targets unrealised. Staff morale or satisfaction impacted negatively by change processes. Focus on integration causes delay in service improvement. Pressure on ability to satisfy operational expectations. Project requires additional resource. Potential impact on group balance sheet. Benefits unrealised. Potential reputational impact with community.</p>	I = 3 L = 2 High (6)	Delegated LSBU Staff working at Lambeth on a part-time basis during the transition period. <hr/> Interim appointments used to fill gaps within Lambeth pending structural alignment activity.	I = 3 L = 1 Medium (3)	Oversee delivery of the 100 day turnaround plan.	Ian Mehrtens	21 Dec 2018

	CONFIDENTIAL
Paper title:	Prevent Annual Report
Board/Committee	Audit Committee
Date of meeting:	8 November 2018
Author:	Ed Spacey, Acting Deputy Director of HR Services
Executive/Operations sponsor:	Shan Wareing, Chief Operating Officer & DVC (Education)
Purpose:	Review and recommend
Recommendation:	The committee is requested to recommend the report to the Board for approval.

Executive summary

The committee is requested to recommend the report to the Board for approval.

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Prevent Annual Report

1.0 Background and Purpose

- 1.1 To provide an annual report on the implementation of the “Prevent Duty”. The “Prevent Duty” is the responsibility to have regard to the need to prevent people being drawn into terrorism.
- 1.2 The monitoring framework requires the University to submit an annual return to the Office for Students (OfS) by **3 December 2018**. The report covers the period of the last academic year and developments to date.
- 1.3 The OfS reporting framework has changed this year and is based around a statement of re-assurance, rather than a detailed traditional report.

2.0 OfS Required Statement of Assurance

Recommendation

- 1. The Board of Governors approves the statement below and notes the text. A signed document is needed for the OfS return.**

Throughout the year and up to the date of approval, London South Bank University:

- has had due regard to the need to prevent people being drawn into terrorism (the Prevent duty)
- has provided to OfS all required information about its implementation of the Prevent duty
- has reported to OfS in a timely way all serious issues related to the Prevent duty, or now attaches any reports that should have been made, with an explanation of why they were not submitted.
- has reviewed and where necessary, updated its Prevent risk assessment and action plan

3.0 Accountability statement

(Governing bodies/proprietors are required to provide a short statement (max 300 words) outlining the mechanisms to which they have been assured they are able to sign the declaration satisfactorily. This is proposed as below).

- The Vice Chancellor is fully engaged with the approach to Prevent and the Chief Operating Officer is Executive Lead. Governance arrangements and postholders remain the same as information supplied in last years return.

- There have been no referrals to Channel during 2017 to date, nor were there any in previous reporting periods. Channel is the highest level multi agency referral panel.
- In 2017/18 there were 7 occasions where potential prevent issues were raised internally for consideration under our policy, compared to 6 last year. One led to a case conference meeting with health, local authority and police. There was no further prevent action required in any of the above.
- The Chief Operating Officer chairs an overarching Safeguarding Committee, which monitors work on Prevent and includes representation such as the Chief Executive of the Student Union and senior managers including at Dean of School level and the Director of Student Support and Employment.
- Prevent continues to feature in reports made to the Health and Safety Joint Committee 3 times per year.
- The Prevent Policy, Risk Assessment, Action Plan and External Speakers Policy has recently been fully reviewed and updated. The content has been shared with the OfS. The approach to prevent training is monitored and regularly reviewed by the Safeguarding Committee.
- The Acting Deputy Director of HR has contact with Southwark Local Authority in relation to Prevent. He also continues to be an active member of the London Regional Higher Education Prevent Network, and is regularly invited to attend consultation meetings with the Department for Education on Prevent and Counter Extremism.
- In October 2017 the Acting Deputy Director of HR was invited to speak on the LSBU approach to Prevent at a Westminster Forum Conference. This was attended by a number of institutions, OfS and the Foreign Office.

4.0 OfS outcomes

The OfS will not comment or rate compliance with the prevent duty for this return, unlike previous years. It will use the submission to consider the LSBU prevent risk profile. Any move to a higher risk profile may trigger an OfS formal prevent review meeting.

	INTERNAL
Paper title:	Anti-fraud, bribery and corruption report
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
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:	Data protection / GDPR update
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	Hywel Williams, Data Protection Officer
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the report

Executive Summary

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. In the previous report it was noted that the project board would hold its final meeting in October, however the board agreed to meet again in January to provide continuing oversight for the project work, in particular:

- Oversee the final action plan (the next draft will go to Exec in December 2018 for noting/discussion),
- Oversee 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
- Oversee 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').

The project board also noted that update reports would continue to be provided to each meeting of the audit committee.

Key data protection and GDPR compliance steps taken since the last update report are:

1. One breach of personal data was judged to be notifiable to the ICO since the October update. We are waiting for the ICO to respond as to what actions they may want to take. The Emergency Response Team was not invoked.
2. Further work has been done on the draft data protection action plan which was tabled at the project board meeting. The next steps will be to confirm priorities and work with key stakeholders (e.g. IT and Procurement) to further develop and prioritise their respective actions. The action plan will need to be continuously reviewed as part of BAU. A record of any actions which LSBU has committed to taking in responding to the ICO regarding complaints and breaches will also be maintained.
3. Work to update privacy statements on personal data gathering forms and giving just-in-time data protection information continues as needed.
4. The data protection and information compliance intranet pages have been updated, including a new page for guidance on managing breaches of personal data. These pages will be further expanded over the next few months as further guidance is made available to staff. The guidance documents will build on the analysis so far of how the GDPR, and the new Data Protection Act 2018 in particular, impacts LSBU.
5. Communications to staff about the updated data protection training modules will go out to all staff in November 2018. This will form part of a more general communication regarding data protection drawing the attention of staff to updated pages on the intranet and where to find more information relating to data protection. This will form part of ongoing communications strategy in partnership with ICT Security.
6. An updated ICT Security training module will also be rolled out before the end of the calendar year, pending work by the Head of ICT Security and the Data Protection Officer on data classifications scheme.
7. The monthly coordination meetings between the DPO, Head of ICT Security and Head of Security and Estates Customer Services are proving to be successful as a means of resolving complex issues and fostering greater collaboration between the functions.

Over the next 6 months, the focus of the data protection officer is to move the work into business as usual. Key steps will include:

- updating the data protection plan for Exec by the end of the calendar year
- developing a relationship with data protection representatives from each of the Group's entities
- plan for embedding Privacy by Design across the organisation (working with Procurement, IT, PMO);
- 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;

Recommendation

The audit committee is requested to note the update.

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	CONFIDENTIAL
Paper title:	Modern Slavery Statement 2018
Board/Committee	Audit Committee
Date of meeting:	8 November 2018
Author:	Penny Green, Head of Procurement Services
Executive/Operations sponsor:	Pat Bailey, Provost
Purpose:	For approval
Recommendation:	The committee is requested to recommend approval LSBU's 2018 Modern Slavery Statement to the Board of Governors.

Executive Summary

- A Modern Slavery Statement 2018 has been drafted.
- We are legally required to obtain approval from our 'Board of Directors'. See image for PWC's guidance extract on our obligations.
- To be able to declare that we meet our legal requirements for Modern Slavery in any public sector income or research bids, we need to be able to evidence that the statement was approved by the Board of Governors.
- Publication is advised within 6 months of year end, however this is not an explicit deadline. Our aim is to publish by 31 January 2019.
- The Audit Committee is requested to recommend the statement to the Board for approval.

5 *Who should approve your statement?*

The Act states:

- If your business is a body corporate other than a limited liability partnership, it must be approved by the board of directors (or equivalent management body) and signed by a director (or equivalent);
- If your business is a limited liability partnership, it must be approved by the members and signed by a designated member;
- If your business is a limited partnership registered under the Limited Partnerships Act 1907, it must be signed by a general partner; and
- If your business is any other kind of partnership, it must be signed by a partner.

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LSBU Modern Slavery Statement 2018

This statement has been published in accordance with the Modern Slavery Act 2015. It sets out the steps taken by London South Bank University (“LSBU”) during year ending 31 July 2018 to prevent modern slavery and human trafficking in its business and supply chains.

London South Bank University is one of London's largest and oldest universities. Since 1892, we've been providing vocationally-relevant, accredited and professionally recognised education. We're a cosmopolitan university with over 18,000 students drawn from over 130 countries. We've been awarded Silver for teaching excellence under the Government's Teaching Excellence Framework (TEF) and were the Times Higher Education's University of the Year for Graduate Employment 2019 for the second year running.

At LSBU we are committed to running our business responsibly. We strive to maintain high ethical principles and to respect human rights. This extends to encouraging high standards in our supply chain. LSBU is committed to procuring goods and services and employing people without causing harm to others, and remains committed to supporting the UK Government's [National Action Plan](#), updated in May 2016 to implement the [UN Guiding Principles on Business and Human Rights](#). In doing so, LSBU supports the Base Code of the Ethical Trading Initiative (ETI).

Our Governance

The Sustainability Steering Group is responsible for the oversight, development and ongoing monitoring of the University environmental and sustainability policies and strategy, including Modern Slavery. It is led by the Deputy Vice Chancellor and Chief Operating Officer and its membership includes representation from Professional Service Groups (including Procurement and Sustainability teams), students and academics. LSBU's sustainability initiatives are developed through the 3C's approach, covering Campus, Curriculum and Community.



Our Supply Chain

In 17/18 LSBU spent £60 million with 4,000 suppliers and their respective supply chains on a wide range of goods and services. Our high value supplier categories include Estates and building (including construction and maintenance), ICT hardware and software, temporary staff, cleaning, security, and catering, all of which LSBU deems as carrying material risk in terms of human rights. As reported in [our previous statement](#), a number of Modern Slavery initiatives

are in place, including London Living Wage accreditation, our Environmental and Ethical Sustainability Policy, Speak-up/Whistleblowing Policy, updated terms and conditions with Modern Slavery obligations, our Code of Ethics, and Electronics Watch affiliation.

In 17/18 The Board of Governors has endorsed LSBU being a signatory to 'The SDG Accord' for Higher Education, with a commitment to its Phase 1 criteria, including the embedding of Sustainable Development Goals across the University curriculum by 2020.

Modern slavery awareness and training initiatives were implemented, including Modern Slavery film screenings attended by SSG members, Procurement, Sustainability and Senior ICT team members. We also launched Higher Education Sector electronic Modern Slavery training on LSBU's in-house training platform, available to all staff.

More information on our approach to [Sustainability](#) and [Responsible Procurement](#) can be found on our web pages.

The future

LSBU will continue to develop a better understanding of its supply chain and encourage greater transparency and responsibility towards people working within them. We will continue to review and work together to assess what steps need to be taken to prevent, monitor and mitigate the risks to human rights in our supply chains, with particular focus on high risk areas. We will introduce KPIs to evaluate our progress. These will include training metrics, reports received of modern slavery in our supply chains, and the number of tenders with modern slavery incorporated into their evaluation process and specific clauses.

Training will be expanded to a wider group of key stakeholders, including high risk contract managers.

This statement was approved by LSBU's Board of Governors **[date]** and will be reviewed annually.

Signed

Dave Phoenix
Vice Chancellor and Chief Executive
London South Bank University

	CONFIDENTIAL
Paper title:	UUK Code of Practice Audit Overview
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	Sacha Marshall-Ocana, Head of Student Accommodation
Sponsor(s):	Professor Paul Ivey, Chief Business Officer, DVC (Innovations)
Purpose:	For Information
Recommendation:	The Committee is requested to note the contents of the UUK Code of Practice Audit for LSBU Student Accommodation.

Executive Summary

In April 2018 a UUK Code of Practice Audit took place of the four student residences provided by London South Bank University. The purpose of the audit was to identify how LSBU meets the requirements of the Code of Practice for the management of student housing. It was carried out in accordance with the code to meet the requirements of a triennial audit to be provided to the National Administrator.

The main areas the audit looked at were:

- Health & Safety
- Operational Management
- Student Experience
- Energy Efficiency
- Landlord & Tenant Relationship

The attached UUK Code of Practice Audit Overview, lists specific essential elements which were considered and indicates a pass/fail rating. The Audit Committee is requested to note the outcome of the audit.

In cases where a fail is shown, it is now confirmed that rectification action has been undertaken and all areas are now deemed as a pass, with one partially passed. This is confirmed in the PwC report presented to the Audit Committee at its meeting on the 4th October 2018 (attached as an appendix).

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Universities UK/Guild HE

Code of Practice for the Management of Student Housing (Revised August 2010 V18)

UUK Code of Practice Audit Overview

Please complete the form with all audit failures of essential (mandatory) elements of the UUK Code of Practice and return with your completed audit and management responses by **30th April 2017**.

Code Reference	Essential Elements	Checklist for UUK Code Compliance London South Bank University	
1) GENERAL			
1.4	Essential	All H/FEEs must make arrangements to publicise the existence of the code to potential students in addition to advising students of the code during the induction process to residential accommodation.	<i>Pass</i>
2.1	Essential	Student residences and their contents as supplied by an establishment must meet the requirements of all relevant health and safety regulations and codes of practice. Certain special circumstances (e.g. legislation relating to listed buildings) may justify a partial relaxation of these requirements.	<i>Pass</i>
2.2	Essential	H/FEEs must make an analysis of the risk of such events as fire, outbreak of disease or major breakdown of services and equipment and develop procedures for dealing with them. The analysis and the procedures should be documented (e.g. in risk registers) and should be readily available for inspection.	<i>Pass</i>
2.3	Essential	Students must be given clear advice and information on what action is to be taken in the event of an emergency e.g. how to access first aid provision, relevant contact details and mechanisms for reporting incidents and raising health and safety issues.	<i>Pass</i>
2.4	Essential	It must be a requirement in every tenancy or license agreement for the student to maintain a reasonably safe environment for the H/FEEs employees who may have to enter the premises e.g. ensuring the cables to personal electrical equipment are safe.	<i>Pass</i>
2A Fire Safety			
2.5	Essential	Information and advice must be provided to students at the beginning of their period of occupation on such matters as:	
2.51	Essential	Their role in the avoidance of fire risks.	<i>Pass</i>
2.52	Essential	Cooking and the safe use of cooking equipment.	<i>Pass</i>
2.53	Essential	Electrical safety – particularly voltage differences.	<i>Pass</i>
2.54	Essential	The dangers of using candles or storing flammable material.	<i>Pass</i>
2.55	Essential	Disciplinary action that may be taken if fire alarms or firefighting equipment is miss-used.	<i>Pass</i>
2.6	Essential	Fire safety systems must be maintained in working order and regularly tested in accordance with regulations relating to each particular piece of equipment and each building type. The design and detail of systems in existing buildings will be determined in accordance with a fire safety risk assessment and in consultation with the fire authority or local authority as appropriate. Specifically:	<i>Fail</i>

Code Reference	Essential Elements	Checklist for UK Code Compliance London South Bank University	
2.61	Essential	Fire alarm systems must be tested weekly at pre-arranged times (but see paragraph xxi of the Code).	<i>Pass</i>
2.62	Essential	A record of fire alarm testing and inspection must be maintained.	<i>Fail</i>
2.63	Essential	At the beginning of their period of occupation students must be provided with information on fire safety and good practice. Advice on action to be taken in case of fire including fire containment procedures should be prominently displayed.	<i>Pass</i>
2.64	Essential	Any fire extinguishing equipment provided must be properly maintained.	<i>Pass</i>
2.7	Essential	In order to ensure safe evacuation of properties in the event of fire, safe access and egress (means of escape) must be maintained - including corridors, landings, stairs and hallways. The means of fire escape - internal and external - must be maintained and be available at all times. The design and detail of systems in existing buildings will be determined in accordance with a fire safety risk assessment and in consultation with the fire authority or local authority as appropriate. Safety systems include:	<i>Pass</i>
2.71	Essential	Emergency lighting.	<i>Fail</i>
2.72	Essential	Emergency secondary power supplies such as generators and battery back- up systems.	<i>Fail</i>
2.73	Essential	Fire door integrity including door closures.	<i>Pass</i>
2.74	Essential	Automatic door release mechanisms.	<i>Pass</i>
2.75	Essential	Emergency escape ironmongery such as push bars must be regularly tested in accordance with the appropriate British Standard.	<i>Pass</i>
2.8	Essential	Fire evacuation practices must be conducted at the beginning of each academic year in accordance with arrangements for particular buildings and fire detection systems and the local fire authority. A record must be maintained.	<i>Pass</i>
2.9	Essential	Once a student with a disability (including those with a temporary disability) is identified the H/FEE must undertake an assessment and put in place any specific arrangements (e.g. personal evacuation plans) in case of fire or other emergency.	<i>Pass</i>
		2B Electrical and Gas Supplies	
2.10.	Essential	Except in the case of emergencies or essential maintenance, electricity and gas supplies and lighting must be maintained without interruption. Gas and electrical installations must be properly maintained and tested in accordance with statutory gas and electrical safety requirements and British Standards.	<i>Pass</i>
2.11	Essential	Where students need to operate controls for gas fired central heating, hot water systems, and/or fixed electrical room heaters or appliances, simple and precise instructions for their safety and efficient use must be available.	<i>N/A</i>
		Gas Installations	
2.12	Essential	All gas supplies, distribution pipe work and gas fired appliances must comply with the relevant gas safety regulations.	<i>Pass</i>
2.13	Essential	All gas appliances must have an annual gas safety check undertaken by a Gas Safe registered gas installer. A copy of the safety certificate must be available in accordance with the regulations.	<i>Pass</i>
		Electrical Installations	
2.14	Essential	All new electrical installations including fixed equipment must be installed and all existing installations maintained in accordance with the most recent version of the Institute of Electrical Engineers (IEE) Regulations.	<i>N/A</i>

Code Reference	Essential Elements	Checklist for UUK Code Compliance London South Bank University	
2.15	Essential	All building electrical installations must be inspected and tested in accordance with statutory requirements, and the results recorded in an appropriate register.	<i>Fail</i>
		Lighting	
2.16	Essential	Lighting must be provided in accordance with the Chartered Institution of Building Services Engineers (CIBSE) recommendations. In study bedrooms the recommended level of illumination may be achieved by the use of local task lighting.	<i>Pass</i>
		Portable Appliance Testing (PAT)	
2.17	Essential	All portable appliances supplied by an H/FEE, or used in the premises by H/FEE staff, must be inspected and maintained in accordance with an establishments PAT policy. Where arrangements exist for the testing of students' personal electrical equipment these should be set down in the PAT policy. The H/FEE must make students aware of the PAT policy, and any procedure for having students personal electrical equipment tested.	<i>Fail</i>
2.18	Essential	There must be a procedure for dealing with any potentially dangerous personal electrical equipment. This might include labelling as unsafe, an instruction to remove, or in extreme cases (subject to the terms of the licence or tenancy), for example if there is a risk of fire or electrocution removal to safe keeping or disabling. The students must be made aware of the procedure and the action implemented.	<i>Pass</i>
		Water Supplies	
2.19	Essential	All premises must be provided with hot and cold water to appropriately marked taps. Any cold water supply that is not drinkable should be clearly identified.	<i>Pass</i>
		Waste Water	
2.20	Essential	All waste water must be removed via an appropriate trapped connection to the sewerage system	<i>Pass</i>
		Water Hygiene	
2.21	Essential	Hot and cold water services must be installed, monitored and maintained in accordance with the HSE and statutory public health requirements including Legionella testing.	<i>Fail</i>
		2C Security	
		Building and Room Security	
2.22	Essential	H/FEE managed accommodation must be securable against intrusion. All registered buildings must be subject to local security risk assessments, with particular attention being paid to access control, surveillance of site perimeter and securing ground and basement windows.	<i>Pass</i>
2.23	Essential	All main entrances and individual bedroom doors must be lockable, the main entrance door being accessible by all student tenants of the building and bedroom doors accessible only by the student occupant.	<i>Pass</i>
2.24	Essential	All basement, ground and first floor windows must be securable by the student in order to deter theft and intrusion in student bedrooms.	<i>Pass</i>
		Staff	
2.25	Essential	All members of staff (including contractors) must be readily identifiable whilst on the premises. There must be a record kept of staff accessing bedrooms in the absence of the student.	<i>Pass</i>
2.26	Essential	Staff must be subject to vetting/checks in accordance to the institutions policy formulated under the relevant legislation. Such policy to include reference to contractors.	<i>Pass</i>
2.27	Essential	The procedures regarding the issuing of keys/access cards (including the replacement of lost keys) must be clear and transparent and arrangements for	<i>Pass</i>

Code Reference	Essential Elements	Checklist for UK Code Compliance London South Bank University	
		access in the event of lost keys etc must be set out in the students welcome pack or equivalent.	
		Emergency Contacts/Procedures	
2.28	Essential	Establishments must advise students of the procedure to follow in the event of an emergency e.g. bomb alert, summoning an ambulance, reporting a crime or suspicious behaviour.	Pass
		CCTV	
2.29	Essential	Wherever student residences are monitored by CCTV this must be advised in the foyer or on the external entrance to the building. Installation and operation must be in accordance with the relevant regulations.	Pass
		2D Kitchen Facilities, Food Storage, Washing Facilities, Furnishing, Cleaning Routines and other matters	
		Kitchen Facilities and Cooking Equipment	
2.30.	Essential	Where provided all kitchen facilities must be maintained in good order and repair with all equipment supplied in good working order. Facilities for the preparation, cooking and storage of food must be appropriate to the number of students using the facilities in accordance with local authority published standards. User instructions must be available.	Fail
		Food Storage	
2.31	Essential	Cold storage provision must be made available within self-catering properties	Pass
		Bathroom, Toilet and Shower Areas	
2.32	Essential	These areas must be provided with adequate ventilation and slip-resistant flooring. All sanitary ware must be in good working order and free from cracks and breaks. All toilets must be provided with fitted toilet seat. Shower curtains or screens should be provided as appropriate.	Pass
		Furnishing Quality	
2.34	Essential	All bedrooms must be fitted as a minimum with bed, mattress, worktop or study desk, chair, curtains/blind, drawers/shelving, wardrobe and waste receptacle.	Pass
		Post and Mail	
2.35	Essential	The H/FEE must put in place suitable arrangements for the receipt and distribution of student mail. The arrangements should be set out in the students welcome pack or similar induction material. Distribution and collection details should be made available. Students should be advised of any arrangements for forwarding or redirecting mail after the end of the tenancy/license period.	Pass
		Approved Contractors	
3.1	Essential	Where an H/FEE is directly responsible for repairs and maintenance these must be carried out by appropriately identified H/FEE employed staff or external approved contractors.	Pass
		Fault/Defect Notification and Rectification	
3.2	Essential	The H/FEE must provide students with information on how to report a defect or fault, including out of office hours procedure and expected response times from the service.	Pass

Code Reference	Essential Elements	Checklist for UUK Code Compliance London South Bank University	
		Planned Maintenance	
		Energy efficiency	
4.1	Essential	Adequate heating, lighting, hot water and ventilation must be provided, as appropriate, for each bedroom, social space, kitchen, circulation space (e.g. corridors, stair cases, entrance lobbies) and shower/bath room.	<i>Pass</i>
		Energy Efficiency	
4.2	Essential	H/FEEs must be able to demonstrate how they encourage residents and staff to be environmentally responsible in their consumption of energy and water.	<i>Pass</i>
		Refuse Collection	
4.3	Essential	Provision must be made for the collection of all domestic refuse generated from residences. Details should be communicated to students and notices on collection arrangements should be placed in appropriate common areas.	<i>Pass</i>
		Transport and Travel	
4.6	Essential	Residents must be advised of any car parking arrangements. The information provided must also refer to the availability of bicycle and motor cycle parking.	<i>Pass</i>
5) LANDLORD AND TENANT RELATIONSHIP			
5.1	Essential	H/FEEs must have a clear and coherent statement in place outlining the relationship between the H/FEE, as landlord and the student, as tenant or licensee.	<i>Pass</i>
5.2	Essential	A written contract must exist between the H/FEE and the student for the provision of residential accommodation prior to the commencement of the tenancy. This must be provided by the H/FEE and include reference to any contractual terms and responsibilities of both the H/FEE and the student. The H/FEE must provide the student with a copy of this residential contract.	<i>Pass</i>
5.3	Essential	The terms of any contractual relationship and information on the respective roles and responsibilities of the H/FEE and the student must be made available to all prospective residents in advance of students entering into a contractual relationship for residential accommodation.	<i>Pass</i>
5.5	Essential	The H/FEE must make available the following information:	<i>Pass</i>
5.51	Essential	Students must be advised of any cleaning schedules. These must include which areas are cleaned, the frequency of cleaning, and any student responsibility for cleaning of facilities in accordance with a service level statement if applicable. All rooms must be prepared for the start of occupancy in a clean and habitable way.	<i>Pass</i>
5.52	Essential	Laundry facilities where provided, must be maintained in good working condition. Instructions, including fault reporting and emergency procedures, must be made available.	<i>Pass</i>
5.6	Essential	Arrangements for access in the event of lost keys etc must be set out in the students welcome pack or equivalent.	<i>Pass</i>
		Induction Briefing	
5.7	Essential	H/FEEs must hold an induction briefing, and/or provide relevant information to students by way of literature or other e-induction processes at the beginning of occupation. This must advise students that their accommodation is covered by this code. It should also include specific advice on issues such as health, safety (e.g. fire evacuation procedures), welfare matters conduct and behaviour and guidance on communal living.	<i>Pass</i>
		Management Contact Details	
5.8	Essential	At the commencement of occupancy H/FEEs must provide students with relevant contact details of duty officers/wardens/ security staff, student	<i>Pass</i>

Code Reference	Essential Elements	Checklist for UUK Code Compliance London South Bank University	
		representatives etc and also, as appropriate, any central accommodation office, maintenance office or halls office.	
		Insurance Liabilities	
5.9	Essential	H/FEEs must provide a statement outlining the extent of their own insurance liabilities in respect of a student's belongings and personal items.	<i>Pass</i>
6.1	Essential	H/FEEs must provide information to students in respect of its provision of welfare support, financial advice and counselling services, particularly to the provision of accommodation. The information must also include reference to services provided by the students union.	<i>Pass</i>
6.2	Essential	H/FEEs must ensure that residents have information on and access to out of hours emergency support including contact details and procedures to follow.	<i>Pass</i>
6.3	Essential	H/FEEs must encourage registration with the local health service or a local GP or, where these exist, with their own medical services.	<i>Pass</i>
7.1	Essential	The H/FEE must demonstrate procedures to minimise and, deal with, any anti-social behaviour by tenants or their visitors.	<i>Pass</i>
		Conduct and Behaviour	
7.3	Essential	The H/FEE must make residents aware of the H/FEEs code of behaviour and disciplinary procedures, and how it deals with any inappropriate conduct of behaviour.	<i>Pass</i>

Appendix A: Follow up (2 of 9)

Implemented – Additional follow up work (1 of 4)

#	Review	Agreed Action	Update	Status
1A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.6)	<p>Fire safety systems must be maintained in working order and regularly tested in accordance with regulations relating to each particular piece of equipment and each building type. The design and detail of systems in existing buildings will be determined in accordance with a fire safety risk assessment and in consultation with the fire authority or local authority as appropriate.</p> <p>David Bomberg House – a full 100% inspection took place on 05/04/2018</p> <p>New Kent Road - a full 100% inspection took place on 09/04/2018</p> <p>Dante Road - a full 100% inspection took place on 11/04/2018</p> <p>McLaren House a full 100% inspection booked w/c 11/06/2018 (2 weeks completion)</p> <p>We have used a new contractor to carry out 100% device testing and will continue with this contractor going forward. All contractors are now directly managed by LSBU and are not sub contracted.</p> <p>Disabled Refuse System test dates:</p> <p>Dante Road – N/A No Refuge system</p> <p>David Bomber House – 24/04/2018</p> <p>McLaren House – 12/03/2018</p> <p>New Kent Road - N/A No Refuge system</p>	September 2018	Implemented/ closed All agreed actions have been implemented

Appendix A: Follow up (3 of 9)

Implemented – Additional follow up work (2 of 4)

#	Review	Agreed Action	Update	Status
2A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.62)	Weekly fire alarms tests take place on the following dates and records are available: McLaren House – Tuesday David Bomberg House – Tuesday Dante Road – Wednesday New Kent Road – Wednesday	September 2018	Implemented/ closed We reviewed a sample of the fire alarm tests with no exceptions identified. All agreed actions have been implemented.
	LSBU UUK Code of Practice Audit 2018 (Ref: 2.71)	Monthly emergency lighting tests take place and all noted failures have been rectified, records of tests and certificates of remedial works are available. Latest test dates since audit: Dante Road - 17/04/2018 & 08/05/2018 David Bomber House - 19/04/2018 & 31/05/2018 McLaren House - 05/04/2018 & 03/05/2018 New Kent Road - 19/04/2018 & 31/05/2018	September 2018	Implemented/ closed All agreed actions have been implemented.
4A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.72)	Emergency secondary power supplies such as generators and battery back up systems. Date of last tests for emergency light battery back up: Dante Road – 07/07/2017 David Bomber House – 01/03/2017 McLaren House – 21/06/2017 New Kent Road – 21/06/2017	September 2018	Implemented/ closed All agreed actions have been implemented.

Appendix A: Follow up (4 of 9)

Implemented – Additional follow up work (3 of 4)

#	Review	Agreed Action	Update	Status
5A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.15)	Following the FWT, an independent electrical consultant was contracted to review the findings. As a result the consultant and not LSBU, advised that a number of ratings should be amended, this is inaccurate reporting on the auditors behalf and was challenged at the time. Some ratings were decreased and some were increased. All remedial work has taken place and certificates are available to demonstrate this. In addition to demonstrate compliance, the independent consultant has written a full report justifying the re-calcification of certain items, this report unfortunately was not available at the time of audit hence the reason the auditor failed this element of the code.	September 2018	Implemented/ closed We reviewed the report received from Hoggarth Consulting Limited (HCL) and confirmed all remedial works have been completed and that LSBU are compliant with regulations. All agreed actions have been implemented.
5A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.21)	Hot and cold water services are monitored on a weekly basis, the last 4 test dates in each residence are as follows and records are available, this included flushing outlets in empty rooms: Dante Road – 17/05/2018, 24/05/2018, 31/05/2018 & 07/06/2018 David Bomber House – 17/05/2018, 23/05/2018, 29/05/2018 & 05/06/2018 McLaren House – 15/05/2018, 23/05/2018, 30/05/2018 & 05/06/2018 New Kent Road – 12/02/2018, 08/03/2018, 11/04/2018 & 17/05/2018 (no little used outlets these are dates for temp checks) Latest water tank inspection and tests as follows, unfortunately the certificates were not available at the time of audit: Dante Road – 11/10/2017, David Bomber House – 11/10/2017, McLaren House – Conducted in October 2017 Certificate to follow, New Kent Road – 11/10/2017 Latest Legionella testing (all showing not detecting): Dante Road – 15/03/2018, David Bomber House – 19/04/2018 McLaren House – 15/03/2018, New Kent Road – 15/03/2018	September 2018	Implemented/ closed We reviewed a sample of the hot and cold water inspections with no exceptions identified. All agreed actions have been implemented.

Appendix A: Follow up (5 of 9)

Implemented – Additional follow up work (4 of 4)

#	Review	Agreed Action	Update	Status
7A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.3)	Due to a change in local legislation within Southwark Council, the kitchens in David Bomberg House require an additional oven. The layout of these kitchens will require units to be altered and moved, therefore the work to make these changes has been scheduled for the summer months. Since the audit has taken place quotes have been received and an order placed with an external contractor to make the necessary changes and supply the additional equipment. Work will commence on the 20th August 2018 and will be complete by 7th September 2018 before the new intake of students.	September 2018	Implemented/ closed For David Bomberg House, we reviewed an email from Keith Wilson (Contract Delivery Manager) confirming that the kitchens at DBH have been fitted and are now up to standard. As confirmed by management, there were no issues identified with the Kitchens at Dante Road, McLaren House and New Kent Road. As such, no issues noted. All agreed actions have been implemented.

	CONFIDENTIAL
Paper title:	Speak up report
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
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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	INTERNAL
Paper title:	Office for Students annual reporting
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the OfS annual reporting requirements.

Executive Summary

Attached is the annual reporting requirements for the Office for Students (OfS). The following changes from HEFCE requirements are set out in the covering letter:

- a. The TRAC(T) return must be approved by an independent committee of the governing body prior to submission. This is a change from HEFCE's previous requirements.
- b. Providers are no longer required to submit a value for money return. This is a change from the guidance set out in Regulatory Notice 2 (OfS 2018.12).
- c. The information required in respect of exempt charities has been reduced as set out in Regulatory Advice 5 (OfS 2018.23).
- d. The accounts direction (OfS 2018.26) sets out the OfS's requirements in respect of financial statements and supersedes HEFCE's previous accounts direction.
- e. HEFCE previously collected the annual sustainability return (ASSUR) as an optional return. As set out in Regulatory Notice 2 (OfS 2018.12), providers are no longer invited to provide this return.

The committee is requested to note the new requirements.

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16 October 2018

Dear Accountable Officer

Annual accountability returns 2018: request for information

I am writing to request submission of the annual accountability returns for 2018 and to provide guidance about the information the OfS requires, and the deadlines for submission.

The OfS publication 'Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by the Higher Education Funding Council for England' (OfS 2018.12), sets out how higher education providers will be regulated between 1 April 2018 and 31 July 2019. We refer to this as the 'transition period'.

During the transition period, all OfS-funded higher education institutions are required to submit the returns listed in Annex A by the dates set out in the final column of the table. The annex also sets out the level at which each return must be approved, and indicates where you can find more information about each return. All the returns listed are to be submitted electronically via the OfS portal and you can find more information about how to do this in Annex E.

The OfS will use the information submitted in the annual returns as part of its assessment of accountability for public funding and compliance with the terms and conditions of funding for higher education institutions (OfS 2018.15).

You may find it helpful to note that the following changes have been made to the requirements for 2018:

- a. The TRAC(T) return must be approved by an independent committee of the governing body prior to submission. This is a change from HEFCE's previous requirements.
- b. Providers are no longer required to submit a value for money return. This is a change from the guidance set out in Regulatory Notice 2 (OfS 2018.12).

- c. The information required in respect of exempt charities has been reduced as set out in Regulatory Advice 5 (OfS 2018.23).
- d. The accounts direction (OfS 2018.26) sets out the OfS's requirements in respect of financial statements and supersedes HEFCE's previous accounts direction.
- e. HEFCE previously collected the annual sustainability return (ASSUR) as an optional return. As set out in Regulatory Notice 2 (OfS 2018.12), providers are no longer invited to provide this return.

If you have any queries or need any further information about these requirements, please contact regulation@officeforstudents.org.uk.

Yours sincerely



Susan Lapworth
Director of Competition and Registration

Annex A: Annual accountability returns for higher education institutions

Element	Approval level	Further information	Submission date
Annual Assurance Return	Accountable officer	Annex B	Noon on 3 December 2018
Signed audited financial statements for 2017-18	Governing body	Regulatory Notice 2 (OfS 2018.12) Terms and conditions of funding for higher education institutions (OfS 2018.15) Agreement on institutional designation (OfS 2018.17) Accounts direction (OfS 2018.26)	
Audit Committee's annual report for 2017-18	Governing body		
Internal auditor's annual report for 2017-18	Reported to Audit Committee		
External auditor's management letter and the provider's management response to this for 2017-18	Reported to Audit Committee		
Financial commentary	Governing body	Annex C	
Higher Education Students Early Statistics (HESES) survey 2018-19	Accountable officer	HESES18 Higher Education Students Early Statistics survey 2018-19 (OfS 2018.40)	10 December 2018
Transparent Approach to Costing (TRAC) return	Independent committee of the governing body	Annex D	31 January 2019
Transparent Approach to Costing for Teaching (TRAC (T)) return	Independent committee of the governing body		28 February 2019

Annex B: Annual assurance return for higher education institutions

The return to be completed is available to download from the OfS portal (see Annex E for instructions). The completed and signed return should be scanned and then submitted via the OfS portal.

Provider:	
Year ended: 31 July 2018	
Part 1	Yes/No/Comment
Please confirm that in this period and up to the date of this return the provider has met its responsibilities to HEFCE under the memorandum of assurance and accountability and funding agreement and to the OfS under its terms and conditions of funding.	
Please indicate whether the provider has complied with the Concordat to support research integrity. (Note: this information will be shared with Research England.)	
Please confirm that any Teaching and Research Capital Investment Funding the provider received in 2017-18 has been spent within the year for the purposes intended. (Note: this information will be shared with Research England.)	
If the provider has received funding for very high-cost science, technology, engineering and mathematics subjects, please confirm that you have maintained provision of taught programmes in these disciplines.	
I confirm that the data and annual accountability returns submitted to OfS conforms to the requirements of the terms and conditions of funding for higher education institutions (OfS 2018.15) and the agreement on institutional designation (OfS 2018.17).	
Signed by the accountable officer:	
Print name:	
Date:	

Part 2

As a governor and on behalf of the governing body, I confirm that for the 2017-18 academic year and up to the date of signing the return:

- The governing body has received and discussed a report and accompanying action plan relating to the continuous improvement of the student academic experience and student outcomes. This included evidence from the provider’s own periodic review processes, which fully involve students and include embedded external peer or professional review.
- The methodologies used as a basis to improve the student academic experience and student outcomes are, to the best of our knowledge, robust and appropriate.

For providers with degree awarding powers:

- The standards of awards for which we are responsible have been appropriately set and maintained.

For providers without degree awarding powers:

- The standards of awards for which we are responsible have been appropriately maintained.

Signed by the accountable officer as a governor on behalf of all of the governors:

Signed:.....
Print name:.....
Date:

Part 3

I confirm that the provider’s trustees have complied with their legal obligations in exercising control and management of the administration of the charity.

Signed by the accountable officer as a trustee on behalf of all of the trustees (where the accountable officer is not a trustee, it must be signed by a trustee instead):

Signed:.....
Print name:.....
Date:

Annex C: **Financial commentary guidance**

1. The provider's financial commentary must provide the following information:
 - a. Explain any material variances between the 2017-18 audited performance and position relative to the September 2018 forecast for that year.
 - b. If the financial commitments are different from those entered in Table 6 of the September 2018 forecast tables, please provide an explanation.
 - c. Explain whether any key assumptions included in the forecasts submitted in September have changed and, if so, the impact on the provider's financial performance and position. This includes, but is not limited to, assumptions about tuition fees, student numbers, capital expenditure plans and pension contributions. Where there is a material impact of these changes (either due to individual assumptions or collectively), explain mitigations the provider will take to address this impact.
2. Where the provider already produces internal documentation that addresses all of the questions, we are happy to continue to receive this information in the provider's own format. Similarly, where specific questions may be answered by reference to other parts of the annual accountability return, please reference that document, rather than providing duplicate information.

Annex D: Transparent Approach to Costing returns

1. OfS-funded higher education providers are required to submit an annual Transparent Approach to Costing (TRAC) return via the OfS portal by **Thursday 31 January 2019** and a TRAC for teaching return (TRAC (T)) by **Thursday 28 February 2019**. In accordance with the OfS's regulatory notice 2 (OfS 2018.12), both of these returns must be approved by an independent committee of the governing body and the declaration signed by the accountable officer and submitted by the respective deadlines.
2. For the January and February 2019 returns only, where the timing of the committee meeting makes this approval difficult prior to submission, the provider can use delegated authority for the chair's action to confirm compliance before submitting. Presentation to the committee must then follow after submission. Responsibility for confirming compliance continues to rest with the committee.

Annual TRAC return

3. Providers must submit the completed Excel file and a scanned PDF copy of the return via the OfS portal. We will send information about how to do this to the provider's director of finance by the end of October.
4. The TRAC return template incorporates in a single return:
 - a. the annual TRAC reporting requirements
 - b. the charge-out rates for research, which we collect on behalf of UKRI.
5. TRAC guidance, applicable for reporting on the 2017-18 academic year, is available at www.trac.ac.uk/tracguidance/.
6. Automatic and self-validation checks are incorporated within the return in order to improve the quality of the submitted data. Providers can upload their data to the OfS portal during December and January to carry out their review of validation checks prior to signing off their data by 31 January 2019. Providers must submit a written commentary to explain data that falls outside the parameters set in the return.
7. A sample version of the 2017-18 TRAC return form in PDF format as well as an updated income allocation table and updated guidance on the allocation of funding council grants, will be available to download from the TRAC guidance web pages by the end of October 2018. Providers should download their individualised templates for completing the TRAC data return and submit them via the OfS portal.
8. UKRI, Research Councils and Research England will use the TRAC data and research charge-out rates data for the purposes of awarding research grants, quality assurance and validation and benchmarking and to inform policy and funding of research.

TRAC for teaching return (TRAC(T))

9. Providers must submit the completed Excel file and a scanned PDF copy of the return via the OfS portal. We will send information about how to do this to the provider's director of finance by letter in December 2018.

10. A sample version of the 2017-18 version of the TRAC(T) return form in PDF format is available to download from the TRAC guidance web page. Automatic and self-validation checks are incorporated within the return in order to help to improve the quality of the submitted data. Providers can upload their data to the OfS portal during January and February 2019 to carry out their review of validation checks prior to signing off their data by 28 February 2019. Providers must submit a written commentary to explain data that falls outside the parameters set in the return.

11. Providers should note that there is no longer a sign off date for TRAC(T) data in April. The data must be signed off by 28 February 2018.

Further information

12. For further information about the annual TRAC and TRAC(T) reporting requirements, contact the OfS's regulation team (regulation@officeforstudents.org.uk) or for technical enquiries about the TRAC guidance, contact the TRAC support unit (trachelpdesk@kpmg.co.uk; 0115 935 3400).

Annex E: accessing and using the OfS portal to complete the annual accountability returns due on 3 December 2018

1. The annual accountability returns can be accessed through the OfS portal (<https://extranet.officeforstudents.org.uk/Data>).
2. Your provider's user administrator manages user access to the OfS portal. If you are not sure who your provider's user administrator is, please contact Charlotte Coupland (portal@officeforstudents.org.uk, telephone 0117 931 7399).
3. If you had access to the OfS portal to submit the financial and student number forecasts submitted in September 2018, you will automatically have access to submit the annual accountability returns due in December 2018.
4. If you have *not* previously used the OfS portal, please contact your provider's user administrator and ask them to:

- create your OfS portal user account and
- add you to the group '**Annual accountability returns 18**'.

Once the user administrator has set up your account, you will receive an automated email with a link to a page where you can set your password. You will then be able to log in using your email address and password.

5. If you have used the OfS portal before, but cannot see the annual accountability returns links, please contact your provider's user administrator and ask them to add you to the group '**Annual accountability returns 18**'. Once you have been added to the group, you should log in using your email address and password.
6. Once you have logged in, you will see six links relating to the annual accountability returns. Click on the relevant link for the document you want to upload. Click the 'Upload' button, and then 'Choose file' to find the location of the file you wish to upload, and then click on 'Upload'.
7. Submitting the file may take up to a few minutes, depending on how busy the server is. A message will appear on the screen to tell you the status of your submission. You may see one of the following messages:
 - Your files have been submitted but are waiting to be processed
 - Your files are being processed
 - Completed successfully.
8. At the bottom of the webpage there is a section labelled 'History of submissions', which gives details of all files uploaded and processed. This information will remain on the page as a record for the duration of the exercise, but can be printed if you require a hard copy receipt of the files submitted.
9. The template for the **annual assurance return** is included in Annex B. Alternatively, you can download the template from the OfS portal. To do this, you will need to log in to the OfS portal, click on the 'Annual assurance return 2018' link, then click on the 'Download' button and select

'Save' when prompted. Save the zip file (compressed folder) Annual_assurance_return_template.zip in a location on your network where you can access it later. The zip file contains the Word document, which needs to be completed, scanned and uploaded at the same page ('Annual assurance return 2018' link).

10. The table below provides details on the allowed format for the various returns:

Document	File type accepted
Annual assurance return	PDF
Signed audited financial statements	
Audit committee's annual report	Word document, PDF file or Excel file
Internal auditor's annual report	
External auditor's management letter and provider's management response	
Financial commentary	

In order to facilitate our review of these documents, each upload should be submitted as a single file. For example if you wish to supply several files for the audit committee annual report, please combine these into a single document before uploading to the OfS portal.

11. If at any time you forget your password for the OfS portal, click the 'Forgotten password?' link and enter your email address. You will then be emailed a link to a page where you can reset your password.

12. If you have problems changing your password, if your account becomes locked, or if you can't see a relevant survey link, please contact your provider's user administrator. If you are not sure who your provider's user administrator is, please contact Charlotte Coupland (portal@officeforstudents.org.uk, tel 0117 931 7399).

13. If you have any difficulty with uploading the documents, please email AAR@officeforstudents.org.uk or call Anna Hertzberg-Sully (tel. 0117 931 7478).

14. You should submit your returns electronically to the OfS portal by **noon on Monday 3 December 2018**.

	CONFIDENTIAL
Paper title:	Audit Committee annual business plan
Board/Committee:	Audit Committee
Date of meeting:	08 November 2018
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