

Meeting of the Group Audit and Risk Committee

3.30 - 6.30 pm on Thursday, 11 November 2021
in 1B16 - Technopark, SE1 6LN

Supplement

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• Key performance indicators	

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LONDON SOUTH BANK UNIVERSITY

INTERNAL AUDIT REPORT - FINAL

OFS REGULATORY FRAMEWORK
NOVEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Substantial



LONDON SOUTHBANK UNIVERSITY, OFS REGULATORY FRAMEWORK

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DISTRIBUTION

Deborah Johnston	Pro-Director for Education
James Stevenson	Group Secretary



REPORT STATUS LIST

Auditors:	Matt Brookland
Dates work performed:	1 September - 20 October 2021
Draft report issued:	25 October 2021
Final report issued:	4 November 2021

LONDON SOUTHBANK UNIVERSITY, OFS REGULATORY FRAMEWORK

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design		Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness		The controls that are in place are being consistently applied.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		
Medium		 1
Low		

TOTAL NUMBER OF RECOMMENDATIONS: 1

BACKGROUND:

The Office for Students (OfS), set up by the Higher Education and Research Act of 2017 (HERA), is the regulator for the higher education sector. The OfS has established a Regulatory Framework which describes how it will carry out the core task of stewardship of the higher education landscape and deliver positive outcomes in students' interests. The framework also aims to support the OfS' other priorities; promoting social mobility, inspiring teaching and contributing to economic growth. The Regulatory Framework states how the OfS intends to perform its various functions and provides guidance for registered higher education providers on the ongoing conditions of registration the OfS will have regard to when exercising its functions.

London South Bank University (LSBU) is required to comply with all conditions outlined in the ongoing conditions of registration (the conditions). Whilst conditions within the framework are noted as 'mandatory' or 'not mandatory' these relate to whether the OfS is legally required to impose the condition (mandatory) or has discretion to impose the condition (not mandatory). For a provider, such as LSBU, both mandatory and not mandatory conditions will be requirements where the OfS chooses to impose them as conditions of registration.

The University maintains an assurance framework for the conditions of registration which includes each requirement, methods of monitoring, data required to monitor, key dates/cycle/approval channels and its review mechanisms. It also includes how the OfS monitors compliance, responsibilities and executive accountabilities.

The OfS made changes to its approach in March 2020, due to the Covid-19 pandemic, including the suspension of some requirements and introduction of new reporting requirements. These remain in place at the time of the review.

During 2020, a decision was taken by LSBU to review the oversight of compliance with the OfS conditions, and therefore postpone the internal audit review in this area, originally scheduled for October 2020. However due to the IT outage, this work was further delayed.

The purpose of this audit was to provide assurance over the suitability of evidence to support the University's compliance with the OfS Regulatory Framework.

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SCOPE AND APPROACH:

We held an interview with the Pro-Director for Education and the Group Secretary to confirm the process in place to monitor compliance with the conditions and the level of central oversight in place.

We reviewed available documentation provided by responsible staff, as listed in the Assurance Framework, to determine the controls in place to manage compliance with the conditions.

We confirmed whether ongoing checks of compliance occur and, where appropriate, whether compliance measures are independently verified.

We assessed whether LSBU has suitable processes in place to identify gaps in compliance and whether suitable action is taken to rectify these.

We evaluated the processes in place to monitor compliance with OfS enhanced monitoring requirements and confirmed whether there had been any delays in reporting or payment of applicable fees.

We also assessed whether there are robust processes in place for identifying reportable events and for notifying the OfS of these in a timely manner.

GOOD PRACTICE:

Our review identified the following areas of good practice:

- The evidence provided to us was sufficient to demonstrate compliance with the following conditions:
 - A: Access and participation for students from all backgrounds (A1-A2)
 - B: Quality, reliable standards and positive outcomes for all students (B1-B6)
 - C: Protecting the interests of all students (C1-C3)
 - D: Financial Sustainability (D1)
 - E: Good Governance (E1-E5)
 - F: Information for students (F1-F4)
 - G: Accountability for fees and funding (G1-G3).
- We confirmed that the documents that need to be in place to be compliant with the Public Interest Governance Principles were in place, which included:
 - Academic freedom
 - Accountability
 - Student Engagement
 - Academic Governance
 - Risk Management
 - Value for Money
 - Freedom of Speech
 - Governing Body
 - Fit and Proper
 - Independent members of the Governing Body
 - Regularity, propriety and value for money.
- LSBU has used the OfS regulatory framework, Regulatory Advice 16: Reportable Events as the basis to which it manages reportable events. Management uses a reportable event log to determine whether an event is reportable. The table includes references to what a reportable event is, whether it requires action, the

LONDON SOUTHBANK UNIVERSITY, OFS REGULATORY FRAMEWORK

internal approving body, responsibility for identifying and reporting, and whether this position should be adjusted due to the pandemic. This reportable events log is reported to the Audit and Risk Committee.

KEY FINDINGS:

We identified one area where the design of the controls to demonstrate compliance with the OfS ongoing conditions of registration could be improved.

Although there is an OFS Assurance Framework in place, which outlines responsibility for each on-going condition of registration, there is limited detail of what information is available to confirm compliance and there is no mechanism to check this information centrally.

CONCLUSION:

As a result of our review we are able to provide moderate assurance over the design and substantial assurance over the operational effectiveness of the controls in place to support the University's compliance with the Office for Students Regulatory Framework.


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

- ✓ The University is non-compliant with the OfS ongoing conditions of registration and/or of any enhanced monitoring requirements (if applicable)
- ✓ Reportable events are not identified and/or reported in a timely manner

LONDON SOUTHBANK UNIVERSITY, OFS REGULATORY FRAMEWORK

DETAILED FINDINGS

RISK: ACTION TO ADDRESS GAPS IN NON-COMPLIANCE IS NOT TAKEN

Ref	Sig.	Finding
1		<p>LSBU's OfS Assurance Framework provides the basis to monitor compliance with the OfS' on-going conditions of registration. However we identified the following issues with the Assurance Framework:</p> <ul style="list-style-type: none"> • There is insufficient detail of the information available to evidence compliance ie reference to specific meeting minutes, website locations of policy and procedures, and committee review and approval. Therefore this evidence cannot be located and reviewed easily. • There is no requirement for the condition owners to confirm whether the information they have provides assurance of compliance. • There is no space for action plans to mitigate areas of non-compliance. <p>Furthermore, there is no overarching responsible owner, within LSBU, for compliance with the OfS conditions noted in the document.</p> <p>Although we did not identify any specific gaps in compliance, with limited central oversight, and checks of the information, there is a risk that conditions may not be met and/or gaps in compliance not addressed quickly.</p> <p>We have identified that the root cause of the limited oversight of compliance with OfS Conditions is the limited visibility of information within the Assurance Framework. Since management has devolved responsibility for monitoring compliance to condition owners, there is limited central oversight of compliance and therefore non-compliance may not be identified and clearly visible.</p>

RECOMMENDATION:

In order to increase the level of central visibility of compliance with the OfS conditions, LSBU should consider increasing the level of detail in the Assurance Framework to include:

- Reference to specific evidence that demonstrates compliance ie meeting minutes, website location of policy and procedures and approval of committees.
- A column to be completed by the responsible owners of each condition, to confirm whether LSBU is compliant with each condition on an annual basis.
- Action plan column, to outline where gaps are and action to be taken by management to ensure compliance.

The level of detail should be sufficient to allow the Group Secretary and Pro Vice Chancellor (Education) to conduct an annual self-assessment of the evidence to confirm compliance, where appropriate.

In addition, at forums where departmental information is discussed - where it is applicable to an OfS condition - references to the specific OfS condition should be made and included within the papers/meeting minutes.

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MANAGEMENT RESPONSE:

The Group Executive has oversight of compliance with the OfS conditions of registration and now provides annual assurance to the Group Audit and Risk Committee. An annual report setting out the compliance framework is now provided to the Group Executive and the Group Audit and Risk Committee.

Whether LSBU is compliant and where to find evidence of compliance (e.g. in meeting minutes) will be set out in the compliance framework as part of this annual update as recommended. Any actions required to ensure compliance will also be listed in the framework.

The executive member accountable and the senior director responsible for each condition are listed in the framework. It is their responsibility to notify the group executive during the year of any actual, or potential, non-compliance if and when known about.

Responsible Officer: Michael Broadway, Deputy University Secretary

Implementation Date: Complete

LONDON SOUTHBANK UNIVERSITY, OFS REGULATORY FRAMEWORK

OBSERVATIONS

CENTRAL MONITORING COMMITTEE

During our review we noted that there is no one main committee that has oversight of the OfS conditions at LSBU. We understand that the information that makes up the compliance with conditions is reviewed at various committees, which are responsible for that area of the University. Although specific reference to the conditions is not always provided.

At other similar universities we have seen that there is one central oversight forum, where management can challenge and interrogate the information available and the responsible staff, following presentation from the overarching compliance owner.

We understand that management has decided that the introduction of another forum would disrupt the current committee structure at the University. Therefore, rather than raising a recommendation in this area, changes to the Assurance Framework in recommendation one will address the central oversight gaps. We advise management to consider having one forum where presentation of the compliance conditions is made, on an annual basis.

PUBLIC INTEREST GOVERNANCE PRINCIPLES

The Assurance Framework does not include a tab, breaking down the public interest governance principles as part of Condition E2. We have seen evidence of this at other universities, where each governance principle has been broken down, and self-assessed, as part of an overarching self-assessment.

Although we did not identify any areas of non-compliance with these principles, we wanted to bring this to the attention of management since this extra tab could be included within the Assurance Framework to provide further assurance that these have been reviewed individually and the University is therefore compliant.

LONDON SOUTHBANK UNIVERSITY, OFS REGULATORY FRAMEWORK





STAFF INTERVIEWED

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




Deborah Johnston	Pro Vice Chancellor (Education)
James Stevenson	Group Secretary
Michael Broadway	Deputy University Secretary
Rosie Holden	Director of Student Services
Anthony Moss	Director of Education & Student Experience
Nicola Mitchell	Student Case officer
Helen Roper	Senior Assistant Registrar
Karen McLernon	Head of Performance Analysis
Sammy Shummo	Group Director of Apprenticeships
Irina Bernstein	University Solicitor/ Head of Legal Services
Sally Skillett-Moore	Deputy Director Academic Quality & Enhancement

LONDON SOUTHBANK UNIVERSITY, OFS REGULATORY FRAMEWORK

APPENDIX I - DEFINITIONS

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

RECOMMENDATION SIGNIFICANCE

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

LONDON SOUTHBANK UNIVERSITY, OFS REGULATORY FRAMEWORK

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of the audit is to provide assurance over the controls the University has in place to comply with the OfS Ongoing Conditions of Registration.

KEY RISKS:

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

- The University is non-compliant with the OfS ongoing conditions of registration and/or of any enhanced monitoring requirements (if applicable)
- Action to address gaps in non-compliance is not taken
- Reportable events are not identified and/or reported in a timely manner.

SCOPE OF REVIEW:

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

- Assessment of the evidence in place to support the University's monitoring of compliance with the OfS ongoing conditions of registration
- The arrangements the University has in place to monitor the OfS's enhanced monitoring requirements (if applicable)
- Action taken to address gaps where non-compliance is identified
- The processes the University has in place to identify and report reportable events.

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

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls and verify the effectiveness of the control through use of a range of tools and techniques.

This will be performed through interviews with key personnel and a review of evidence. We will review the University's OfS Registration Conditions Assurance Framework and assess whether there is evidence to support the details contained within it. We will also assess whether there are action plans in place to address non-compliance.

We will also assess whether there are robust processes in place for identifying reportable events and for notifying the OfS of these in a timely manner.

LONDON SOUTHBANK UNIVERSITY, OFS REGULATORY FRAMEWORK

We will evaluate the suitability of processes in place to monitor compliance with OfS enhanced monitoring requirements. We will confirm the suitability of the processes to ensure timely reporting to the OfS where enhanced monitoring requirements are breached.

We will also assess whether there are robust processes in place for identifying reportable events and for notifying the OfS of these in a timely manner.

FOR MORE INFORMATION:

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LONDON SOUTH BANK UNIVERSITY

INTERNAL AUDIT REPORT - FINAL

GROUP - KEY PERFORMANCE INDICATORS
NOVEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Not Assessed



LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS

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DISTRIBUTION

Deborah Johnston	Pro Vice Chancellor (Academic Framework)
Michael Simmons	Group Director of Strategy and Corporate Affairs
Karen McLernon	Head of Performance Analysis


REPORT STATUS LIST

Auditors:	Kruti Patel
Dates work performed:	19 August - 29 September 2021
Draft report issued:	18 October 2021
Final report issued:	3 November 2021

LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design  Generally a sound system of internal control designed to achieve system objectives with some exceptions.

Effectiveness N/A Not Assessed

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High 

Medium   5

Low 

TOTAL NUMBER OF RECOMMENDATIONS: 5

BACKGROUND:

The Group's 2020 - 2025 Corporate Strategy focuses on delivering the vision of serving the local community and its employers by providing high quality professional and technical education and insight. A number of strategic pillars, goals and United Nations sustainable development goals support the vision.

The Vice Chancellor and the former Strategy & Planning Director headed up the project of developing the KPI framework to align with the Group Strategy. This project was later handed over to the Head of Performance and Analysis.

Before the KPI framework was developed, all entities had a suite of operational KPIs relating to student satisfaction, achievement and retention that they reported to their respective Board on a monthly or quarterly basis and these have not been amalgamated into the new framework.

The KPI framework is designed to report on the Group goals and the aggregate Group level one (entity) outcomes. The Group is broken down into the separate entities; London South Bank University (including South Bank Enterprises), South Bank Academies (SBA), South Bank Colleges (SBC). For each entity, there is a separate tab in the KPI schedule which sets out the strategic pillars, outcomes and KPIs that will measure those outcomes. Some KPIs are only relevant to the University and therefore substitutions have been made where required for SBC and SBA. A number of KPIs have been cascaded to Level two (operational), such as student outcome metrics and the annual budget for LSBU and SBA. SBC will not report on any level two metrics until the new technical college becomes operational.

At the time of the audit, actual performance against a limited number of KPIs was available and had been reported on for the 2020/21 year as development of the KPI framework was impacted by both the pandemic and the cyber-attack. Data required to measure performance was unavailable during the cyber-attack.

LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS

SCOPE AND APPROACH:

Our approach consisted of conducting interviews with key individuals and requesting evidence to establish the controls in operation for each of our areas of audit work. We then sought documentary evidence that these controls were designed as described. We evaluated these controls to identify whether they adequately addressed the risks.

We reviewed the Group's key performance indicators and metrics and assessed whether they aligned to the objectives set out within the Group Strategy. Where strategic KPIs are not in place to measure strategic objectives we assessed whether there were other mechanisms in place to monitor achievement of those objectives.

We assessed whether methodologies had been defined for compiling KPI/performance results to assess whether they were clearly understood or could be subject to interpretation. Where methodologies were not documented for both SBA and SBC we discussed with management how these were calculated. We also assessed whether there were suitable controls around any manual adjustments that needed to be made during the KPI calculations. We assessed whether SBC and SBA had the appropriate data available to be able to report on a sample of KPIs.

We reviewed the documents provided at the strategy development days to understand how the Group determined what its annual and five-year targets are and whether these targets have been approved.

We also assessed whether there were sub-indicators/ leading metrics in place to monitor performance throughout the year, particularly for annualised measures.

Our audit reviewed the design of the KPI framework and did not assess the operational effectiveness nor assess whether KPIs were being calculated correctly. Therefore, we have only provided a design opinion.

GOOD PRACTICE:

The 2020-2025 Group Strategy alignment - where KPI outcomes have been explicitly documented within the Group Strategy these are clearly linked to the entity tabs in the KPI schedule.

The University has created the metrics matrix document which clearly captures the following details:

- The KPI definitions
- The methodology to calculate the outcome
- The source of the data required to measure the performance
- The availability and the frequency of the data source provided
- The RAG methodology used to report the outcome
- The department that calculates the performance outcomes, where it does not fall under the Head of Performance and Analysis's team remit.

KEY FINDINGS AND CONCLUSION

We have raised five findings; all of medium significance which relate to the following:

- Not all KPIs within the KPI schedule have been fully defined for all outcomes
- There are three KPIs for SBC and three for SBA which may not be suitable
- The five-year target milestones have not been set for all KPIs
- Neither SBC nor SBA have documented methodologies for calculating their KPIs
- There are no leading indicators incorporated within the framework to monitor the trajectory of the performance against annual targets.

LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS


CONCLUSION

As a result of our review we are able to provide moderate assurance over the design of the controls the Group has put in place to support monitoring of the Group's new strategy. As this review was only reviewing the design of the controls, we have not provided an effectiveness opinion.

LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS

DETAILED FINDINGS

RISK: KEY PERFORMANCE INDICATORS DO NOT ALIGN TO THE GROUP'S STRATEGIC OBJECTIVES OUTCOME KEY PERFORMANCE INDICATORS

Ref	Sig.	Finding
1		<p>Eight different KPIs within the KPI master schedule have not been fully defined. These are:</p> <p><u>Group</u></p> <ul style="list-style-type: none"> • Goal 4 - Increase in students' social capital. <p><u>LSBU</u></p> <ul style="list-style-type: none"> • KPI 1 - Multi-touch relationships with employers • KPI 18 - Employer satisfaction feedback (with facilities) • KPI 26 - Brand recognition survey. <p><u>SBC</u></p> <ul style="list-style-type: none"> • KPI 10 - Pedagogy Research Centre contact with SBC • KPI 12a - Curriculum content clearly aligned to local LMI (curriculum content % vs employer demand %) • KPI 18 - Employer satisfaction feedback (with facilities). <p><u>All entities</u></p> <ul style="list-style-type: none"> • KPI 12b, Alignment to EntreComp framework. <p>There are no alternative mechanisms in place to monitor the achievement of some of the related outcomes.</p> <p>Where KPIs are not defined there is a risk that the Group will be unable to evaluate the success of achieving its objectives.</p>

RECOMMENDATION:

The Group should complete the exercise of defining the outstanding KPIs.

MANAGEMENT RESPONSE:


We accept this recommendation. A proposal has gone to Exec for a refinement of KPIs, which deals with the issue of outstanding KPIs.

Responsible Officer: Deborah Johnston, PVC Academic Framework

Implementation Date: 31 January 2022

LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS

RISK: KEY PERFORMANCE INDICATORS DO NOT ALIGN TO THE GROUP'S STRATEGIC OBJECTIVES OUTCOME KEY PERFORMANCE INDICATORS

Ref	Sig.	Finding
2		<p>We identified three instances for both SBC and SBA where the KPIs may be unsuitable:</p> <p><u>SBC</u></p> <ul style="list-style-type: none"> • KPI 1a - all students have access to work-related learning opportunities. Interview with the Assistant Principal noted that all students are provided with work related opportunities in the form of soft skills such as cv writing. By measuring this there may be a distorted outcome of 100% each year. This is linked to the outcome of embedding employer relationships and therefore there may be other measures of achieving this that could be considered. • KPI 4a - SBC learners progressing to LSBU. This KPI is measured by assessing the number of students progressing to LSBU. The population of students can vary from year to year so by using an absolute number to measure the KPI may be incomparable across years compared with a percentage of the population instead. • KPI 11 - Employer satisfaction survey. The Assistant Principal noted that the sample of employers selected to complete the national survey is limited to a number of specific employers on the database and in the past SBC has received no responses from these employers. Therefore, this may not be an appropriate and comparable measure. <p><u>SBA</u></p> <ul style="list-style-type: none"> • Two of SBA's KPIs (KPI 1 - all students across all year groups have access to work-related learning opportunities and KPI 3 - volume of international partnerships) are assessed based on judgement as there is no data/ tangible evidence to support the measurement of the KPIs historically. • KPI 27 - Alumni fundraising income has a five-year target to increase fundraising income but no defined value has been set. This is not a specific or a measurable target and this KPI may not be applicable for SBA anyway. <p>There is a risk that if the targets set are inappropriate it can result in distorted perception of success.</p>

RECOMMENDATION:

Management should revisit the feasibility of each KPI above and assess whether they are relevant, specific and measurable and whether the targets set for the five-year period are appropriate.

LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS

MANAGEMENT RESPONSE:

We agree with the general recommendation to review each KPI. Specifically:


- SBC KPI 1a - this KPI will be replaced with a more effective measure informed by the Gatsby benchmark
- SBC KPI 4a - agree that this should be a percentage
- SBC KPI 11 - agree that this survey needs to be reviewed
- SBA KPIs 1 and 3 - these will be reviewed
- SBA KPI 27 - this will be reviewed

Responsible Officer: Deborah Johnston, PVC Academic Framework

Implementation Date: 31 January 2022

LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS

RISK: METHODOLOGIES TO CALCULATE THE KPIS HAVE NOT BEEN SET LEADING TO INCONSISTENCIES IN THE WAY KPIS ARE CALCULATED

Ref	Sig.	Finding
3		<p>For SBC and SBA there are no supporting documents setting out:</p> <ul style="list-style-type: none"> the methodology for calculating and measuring each KPI and whether any manual adjustments are required the data required and sources of the data needed to calculate the KPIS who owns each KPI/ who is responsible for calculating each KPI <p>Where the above is not clearly defined, there is a risk that inconsistencies arise in the way the KPIS are calculated and reported.</p>

RECOMMENDATION:

SBC and SBA should adopt LSBU's Metrics Matrix document that includes the following for each KPI:

- the definition of the metric
- the data that is used to calculate the KPI and where it comes from
- how often is the KPI calculated
- responsible department/individual involved in gathering and measuring the data for the KPI

MANAGEMENT RESPONSE:


We accept the recommendation.

Responsible Officer: Deborah Johnston, PVC Academic Framework

Implementation Date: 31 January 2022

LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS

RISK: TARGETS ARE INAPPROPRIATE RESULTING IN A DISTORTED PERCEPTION OF SUCCESS OR OTHERWISE

Ref	Sig.	Finding
4		<p>Target milestones have not been set for all KPIs over the five-year Strategy period. Below is a list of the exceptions noted (these do not include the KPIs that have not been defined in finding 1 which will also require targets when fully defined).</p> <ul style="list-style-type: none"> • Group - there were 6 instances • LSBU - there were three instances • SBC - there were four instances. <p>Where target milestones are not set for the five-year period there is a risk that the Group is unable to assess whether performance is on track to meet the five-year target.</p>

RECOMMENDATION:

The Group should set measurable targets for all each year for all KPIs.

MANAGEMENT RESPONSE:


We accept the recommendation. Targets will be set for each year of all KPIs. In particular, it should be noted that external deadlines determine the setting of some targets, with a clear example being that our REF target can only be set after the publication of latest exercise (due for May 2022).

Responsible Officer: Deborah Johnston, PVC Academic Framework

Implementation Date: 31 July 2022

LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS

RISK: KPIS ARE LAGGING AND THERE NO LEADING INDICATORS TO IDENTIFY WHETHER PERFORMANCE WILL ACHIEVE YEAR-END TARGETS AND/OR IF ACTION TAKEN IS HAVING A POSITIVE IMPACT ON THE GROUP'S ABILITY TO ACHIEVE YEAR-END TARGETS.

Ref	Sig.	Finding
5		<p>The Group does not have any leading indicators incorporated within the KPI framework.</p> <p>There are some KPIs that are measured annually (eg for LSBU the KPIs to measure outcome 6 - students learning experience and outcome 7 - student progression) and therefore it may not be known until late in the year/ post year-end if the annual target has been missed.</p> <p>There is a risk that without incorporating a set of leading indicators, the Group may be unable to monitor if year-end targets are on track during the year or if remedial actions need to implemented earlier in the year.</p>

RECOMMENDATION:

Sub-indicators to measure performance on a more frequent basis should be implemented.

MANAGEMENT RESPONSE:

We accept this recommendation.

Responsible Officer: Deborah Johnston, PVC Academic Framework

Implementation Date: 30 April 2022

LONDON SOUTH BANK UNIVERSITY, KEY PERFORMANCE INDICATORS

OBSERVATIONS

LSBU METRICS MATRIX

The Metrics Matrix document for LSBU is a supporting document to the KPI Framework that provides detail for calculating KPI outcomes. There is a risk that if the methodology is not documented accurately this could lead to a degree of subjectivity when measuring the success of the strategic outcome.

During our fieldwork, the definitions of four KPIs were updated to provide a clear and precise reflection of the method used to calculate them. Below is a list of outcomes where the methodologies were updated and therefore we have not raised a separate finding relating to this.

- KPI 2b - Retention: Y1-2 Progression rate of FT UG students from disadvantaged groups for care leavers and IMD Quintiles
- KPI 4 - Progression to LSBU through progression pathways (including International)
- KPI 9 - NSS - Organisation and Management question area (all respondents)
- KPI 27 - Pledged philanthropic income

LSBU METRICS MATRIX

Review of the KPI schedule identified that the Group Goals section and entity outcomes (level one) do not have a direct correlation. Group Goals are reported separately to entity KPIs. For example, Group goal 1 - progress against UN SDGs is measured by LSBU rank in the THE Impact ranking. However, this measure is not recorded under the LSBU tab. We understand that this was a deliberate decision, although the Group may wish to revisit this and show a clear link from entity outcomes and KPIs to the Group goals.

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STAFF INTERVIEWED

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




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APPENDIX I - DEFINITIONS

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

RECOMMENDATION SIGNIFICANCE

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

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APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of the audit is to provide assurance over the KPI framework the Group has put in place to support monitoring of the Group's new strategy.

KEY RISKS:

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

- Key performance indicators do not align to the Group's strategic objectives
- Methodologies to calculate the KPIs have not been set leading to inconsistencies in the way KPIs are calculated
- Targets are inappropriate resulting in a distorted perception of success or otherwise
- Data needed to calculate the KPIs is not available across the Group
- KPIs are lagging and there no leading indicators to identify whether performance will achieve year-end targets and/or if action taken is having a positive impact on the Group's ability to achieve year-end targets.

SCOPE OF REVIEW:

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

- Alignment of KPIs to the Group Strategy
- Methodologies for calculating KPIs
- Target setting
- Data availability across the Group
- Leading indicators to identify performance throughout the year.

As the KPI framework is new and there are a number of annualised metrics in place which have yet to be calculated, the design of the KPI framework will be assessed.

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

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APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

A review of the Group's key performance indicators and metrics will be undertaken to assess whether they align to the objectives set out within the Group Strategy. Where strategic KPIs are not in place to measure strategic objectives we will assess whether there are other mechanisms in place to monitor achievement of those objectives.

We will assess whether there are methodologies have been defined to compile KPI/performance results to ensure consistency and whether they are clearly understood or subject to interpretation. We will also assess whether there are suitable controls around any manual adjustments that will need to be made. We will assess whether SBC and SBA have the appropriate data available to be able to report on a sample of KPIs.

We will review how the Group has determined what its annual and five year targets should be and whether these targets have been approved.

We will assess whether there are sub-indicators/ leading metrics in place to monitor performance throughout the year, particularly for annualised measures.

DATA ANALYTICS:

We have considered the use of data analytics as part of this audit and the following tests will be performed:

KEY RISKS	DATA ANALYTICS TO PERFORM
Data collected and reported is inaccurate as a result of unreliable data sources	We will assess throughout our audit whether data analytics can be used to verify the KPI metrics reported.
Manual adjustments of information reported leads to inconsistency or lack of transparency	Where formulas are used in data reported we will use analytics tools to assess whether any have broken/ been over written/ replaced with hard coded numbers.

We will perform the data analytical work in advance of our site fieldwork. Any exceptions found will be communicated and investigated during our fieldwork.

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