

**Meeting of the Audit Committee**

**4pm\* on Thursday, 6 February 2014**  
**in 1B27, Technopark, London Road, London SE1**

\* Pre meeting with the Internal Auditors at 3.45pm in 1B27, Technopark

**Agenda**

<i>No.</i>	<i>Item</i>	<i>Paper No.</i>	<i>Presenter</i>
1.	Welcome and apologies		Chair
2.	Declarations of Interest		Chair
3.	Minutes of the last meeting (for publication)	AC.01(14)	Chair
4.	<b>Matters arising</b>		
4.1	Update on ICT security (for discussion)	AC.02(14)	EDCS & CIO
5.	<b>TRAC Return</b>		
5.1	Return submitted to HEFCE (to ratify)	AC.03(14)	CFO
6.	<b>Risk and Control</b>		
6.1	Quarterly Risk Report (to consider)	AC.04(14)	CFO
7.	<b>Internal Audit</b>		
7.1	Progress Report (for monitoring)	AC.05(14)	PwC
7.2	Quarter 1 (2013/14) Continuous Auditing Report (for monitoring)	AC.06(14)	PwC
7.3	Internal Audit report – Student module data (for monitoring)	AC.07(14)	PwC / Ac.Reg
7.4	Internal Audit report – HESA Finance Return (for monitoring)	AC.08(14)	PwC
8.	<b>Finance Department Organisational Structure</b>		
8.1	Finance Department structure/succession planning (to review)	AC.09(14)	CFO

9. **Other Matters**

9.1	Anti-fraud, bribery and corruption report (to consider)	AC.10(14)	CFO
9.2	Speak up arrangements and report (to review)	AC.11(14)	Sec
9.3	Reappointment of PricewaterhouseCoopers as internal auditors (to approve)	AC.12(14)	CFO
10.	Matters to report to the Board following this meeting		Chair
11.	Any other business		Chair
12.	Date of next meeting: 12 June 2014		Chair

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Members: Andrew Owen (Chair), Steve Balmont, Douglas Denham St Pinnock, Mee Ling Ng, Shachi Patel

Internal Auditors: Justin Martin and David Wildey (PwC)

External Auditors: David Barnes (Grant Thornton)

With: Vice Chancellor, Pro Vice Chancellor (Academic), Chief Financial Officer, University Secretary, Financial Controller, Executive Director of Corporate Services (for item 4.1), Chief Information Officer (for item 4.1), Academic Registrar (for item 7.3) and Governance Officer.

Minutes of a Meeting of the Audit Committee  
Held at 4pm on Thursday, 6 February 2014  
In room 1B27, Technopark, London Road, London, SE1

**Present**

Andrew Owen	Chairman
Douglas Denham St Pinnock	
Mee Ling Ng	
Shachi Patel	(Independent co-opted member)

**External Auditors**

David Barnes	Grant Thornton
Amanda Tilley	Grant Thornton

**Internal Auditors**

Charlotte Bilsland	PricewaterhouseCoopers ( <i>except minutes 21-23</i> )
Justin Martin	PricewaterhouseCoopers ( <i>except minutes 21-23</i> )

**In attendance**

Prof Phil Cardew	Pro Vice Chancellor (Academic)
Natalie Ferer	Financial Controller ( <i>except minute 14</i> )
Dr Andrew Fisher	Academic Registrar ( <i>for minutes 11-12</i> )
Richard Flatman	Chief Financial Officer
Ian Mehrtens	Executive Director of Corporate Services ( <i>for minutes 1-6</i> )
Prof David Phoenix	Vice Chancellor and Chief Executive
James Stevenson	University Secretary and Clerk to the Board of Governors
David Swayne	Chief Information Officer ( <i>for minutes 1-6</i> )
Michael Broadway	Governance Officer

**Welcome and apologies**

1. Apologies had been received from Steve Balmont.

**Declarations of Interest**

2. No interests were declared on any item on the agenda.

**Minutes of the last meeting**

3. The minutes of the meeting held on 30 October 2013 were approved (paper **AC.01(14)**). The minutes were approved for publication subject to the proposed redactions.

**Matters arising**

4. There were no other matters arising from the previous minutes which were not covered elsewhere on the agenda.

**ICT security update**

5. The committee noted an update on ICT security from the Executive Director of Corporate Services and the Chief Information Officer following the internal audit report considered at their meeting of 13 June 2013 (minutes 13-14 refer) (paper **AC.02(14)**).
6. The committee noted that all actions from the internal audit report had been completed except the purchase of the new user administration solution and the agreement of a Logical Security Policy. The user administration solution was part of the proposed contract with IBM. The solution was expected to be complete by June 2014. Approval of the contract with IBM was being discussed by a sub-committee of the Board on Friday 7 February 2014.

*Ian Mehrtens and David Swayne left the meeting*

**Transparent Approach to Costing (TRAC) Return**

7. The committee discussed the TRAC return which had been submitted to HEFCE on time (paper **AC.03(14)**). The committee noted that the data had met all the validations tests. The committee ratified the return and its submission.

**Quarterly Risk Report**

8. The committee discussed the quarterly risk report (paper **AC.04(14)**). It was noted that two new risks around the impact of the current restructuring on service levels to students (residual risk high) and the risk of academic programmes not remaining engaged with technological and pedagogic developments (residual risk medium) had been added to the corporate risk register.

### **Internal Audit Progress Report**

9. The committee noted the internal audit progress report (paper **AC.05(14)**). It was noted that the internal auditors were halfway through their plan for the year.

### **Continuous Auditing, Quarter 1 2013/14**

10. The committee noted the quarter 1 continuous auditing report for 2013/14 (paper **AC.06(14)**). There had been a slight decline in performance this quarter with payroll, accounts receivable and general ledger graded at amber (green for quarter 4 2012/13). The committee noted that while the control environment was still good there was sometimes a lack of consistency across different areas of the University which the proposed new schools and professional service groups hoped to improve.

### **Internal Audit Report – Student Module Data**

*Dr Andrew Fisher joined the meeting*

11. The committee discussed an internal audit report on Student Module Data (paper **AC.07(14)**), which was rated as high risk. The committee noted that management were aware of the issues and that the report was helpful in determining the extent of the problem.
12. It was noted that some of the concerns of the report centred around inconsistent practices across the faculties and that this issue would be addressed by the appointment of a single line manager for the faculty offices as part of the move to Schools.

*Dr Andrew Fisher left the meeting*

### **Internal Audit Report – HESA Finance Return**

13. The committee noted an internal audit report on HESA Finance Return (paper **AC.08(14)**), which was rated as low risk.

### **Finance Department Structure/Succession Planning**

*Natalie Ferer left the meeting*

14. The committee noted an update on the finance department structure which had not fundamentally changed in the last year (paper **AC.09(14)**). It was

noted that with the current changes to professional service departments, aspects of the department may change.

*Natalie Ferer returned to the meeting*

### **Anti-fraud, bribery and corruption report**

15. The committee discussed the anti-fraud, bribery and corruption report (paper **AC.10(14)**). Three instances of suspected fraud were reported: a potential fraud in the Faculty of Engineering, Science and the Built Environment (ESBE) which had been reported to the Board in November 2013; an estates purchasing matter; and attempted amendment of supplier bank details.
16. It was reported that the academic misconduct process had begun against the students involved in the suspected fraud in ESBE.
17. It was reported that the estates purchasing matter involved a member of staff in the estates department authorising expenditure without the correct authorisation and without issuing a purchase order. The committee noted that the individual was subject to a disciplinary investigation and the committee requested clarity on whether the matter was a breach of regulations or an attempted fraud.
18. It was noted that the attempt to amend supplier bank details had been identified through routine checks.

### **Speak up review and report**

19. The committee reviewed the speak up policy (paper **AC.11(14)**), and agreed that no changes to the policy were necessary at present.
20. No speak up matters had been reported since the last committee meeting.

### **Internal Audit contract extension**

*Justin Martin and Charlotte Bilisland left the meeting*

21. The committee discussed the executive's recommendation to extend the contract of PricewaterhouseCoopers (PwC) as internal auditors for an additional year (paper **AC.12(14)**). It was noted that PwC were appointed in 2010 for an initial three year term with the opportunity to extend on an annual basis thereafter for a further two years.

- 22. On the basis that agreed performance standards had been met by PwC the Audit Committee approved extending PwC's contract as internal auditors for an additional year. The committee requested that this be reported to the Board at its meeting of 20 March 2014.
- 23. As this would be the final permitted extension to PwC's appointment, it would be necessary to re-tender for internal auditors during mid-2014.

*Justin Martin and Charlotte Bilsland returned to the meeting*

**Matters to report to the Board**

- 24. The committee requested that the TRAC return, fraud update and the reappointment of PwC as internal auditors are reported to the Board meeting of 20 March 2014.

**Any other business**

- 25. The Vice Chancellor reported that with the proposed development of the University's structures, all financial and non-financial data would be brought together under one manager which should improve consistency of data reporting.

**Date of next meeting**

- 26. It was noted that the next meeting would be at 4pm on Thursday, 12 June 2014.

The Chairman closed the meeting.

Confirmed as a true record:

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Chairman

	PAPER NO: AC.01(14)	
Board/Committee:	Audit Committee	
Date:	6 February 2014	
Paper title:	Minutes of the meeting of 31 October 2013	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Board sponsor:	Andrew Owen, Chairman of the Audit Committee	
<b>Recommendation:</b>	That the committee approves the minutes of its last meeting and approves publication subject to the proposed redactions.	
Matter previously considered by:	N/A	N/A
Further approval required?	N/A	N/A
Communications – who should be made aware of the decision?	Published on the University's website	

### **Executive Summary**

The Committee is asked to approve the minutes of its meeting of 31 October 2013 and the suggested redactions (in grey) for publication.



Minutes of a Meeting of the Audit Committee  
Held at 4pm on Thursday, 31 October 2013  
In room 1B27, Technopark, London Road, London, SE1

**Present**

Andrew Owen	Chairman
Steve Balmont	
Douglas Denham St Pinnock	

**External Auditors**

David Barnes	Grant Thornton
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**Internal Auditors**

David Wildey	PricewaterhouseCoopers
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**In attendance**

Prof Phil Cardew	Pro Vice Chancellor (Academic)
Prof Martin Earwicker	Vice Chancellor and Chief Executive
Natalie Ferer	Financial Controller
Richard Flatman	Executive Director of Finance
Ian Mehrtens	Executive Director of Corporate Services ( <i>for minutes 1-6</i> )
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Officer

**Welcome and apologies**

1. Apologies had been received from Mee Ling Ng and Justin Martin (PricewaterhouseCoopers).

**Declarations of Interest**

2. No interests were declared on any item on the agenda.

**Minutes of the last meeting**

3. The minutes of the meeting held on 26 September 2013 were approved (paper **AC.54(13)**). The minutes were approved for publication subject to the proposed redactions.

**Matters arising**

4. There were no other matters arising from the previous minutes which were not picked up elsewhere on the agenda.

**ICT security update**

5. The committee noted an update on ICT security from the Executive Director of Corporate Services following the internal audit report considered at their meeting of 13 June 2013 (minutes 13-14 refer) (paper **AC.55(13)**).
6. The committee expressed concern about progress and requested an update prior to the next meeting and at the next meeting.

*Ian Mehrrens left the meeting*

**Audit findings**

7. The committee discussed the audit findings document prepared by Grant Thornton, external auditors in detail (paper **AC.56(13)**). It was reported that the audit was substantially complete and that no material weaknesses had been identified.

**Internal audit annual report**

8. The committee noted the final internal audit annual report (paper **AC.57(13)**). The final report was unchanged from the draft which had been considered in detail at the previous meeting.

**Pension assumptions**

9. The committee discussed the pensions assumptions used for the FRS17 report (paper **AC.58(13)**). It was reported that the assumptions had been agreed in principle at the previous meeting subject to benchmarking analysis. The discount rate had been reviewed against benchmarking produced by Grant Thornton and remained unchanged. The committee approved the assumptions.
10. The committee requested that indicative pensions assumptions are discussed at their June meeting each year.

**Going concern review**

11. The committee noted the “going concern” review (paper **AC.59(13)**). The review supported the going concern statement in the annual report and accounts. The committee welcomed the review.

**Draft report and accounts 2012/13**

12. The committee reviewed the draft report and accounts for 2012/13 (paper **AC.60(13)**). It was reported that the University made a surplus of £5.5m for the year after accounting for a £0.6m exceptional item relating to the divestment of the Students’ Union. The underlying surplus of £6.1m was well ahead of the forecast surplus of £2.5m.
13. The preparation of an income and expenditure account for the university (not for publication) as a control to ensure that final adjustments in respect of grant aid are processed correctly would be considered.
14. The note to the accounts on related party transactions would be reviewed.

**Letter of representation**

15. The committee discussed the letter of representation to the auditors (paper **AC.61(13)**). The committee noted that the letter contained standard representations only and that no items had been inserted specific to LSBU.

**Students’ Union accounts 2012/13**

16. The committee noted the students’ union (SU) accounts for 2012/13 (paper **AC.62(13)**). As the SU was now a separate entity from the University, their accounts were no longer consolidated into the University accounts.
17. The educational character committee would review the relationship with the SU at a future meeting.

**External audit performance**

18. The committee noted that Grant Thornton, the external auditors, had achieved all of their agreed key performance indicators (paper **AC.63(13)**).

### **Review of non-audit services**

19. The committee that during the year 2012/13 Grant Thornton had provided corporate tax advisory services with a value of £3,972 (paper **AC.64(13)**). This work was carried out by an engagement team completely separate from the audit team.

### **Internal controls – annual review of effectiveness**

20. The committee noted the annual review of effectiveness of internal controls (paper **AC.65(13)**). The review underpins the statement of internal control in the statutory accounts. The final report was unchanged from the draft which had been considered in detail at the previous meeting.

### **Internal audit progress report**

21. The committee noted a progress report on internal audit work (paper **AC.66(13)**).

### **Internal audit report – Extenuating circumstances, academic appeals and other processes that could result in a student complaint to the Office of the Independent Adjudicator**

22. The committee noted the internal audit report (paper **AC.66(13)**). The report noted that there were areas to improve on to achieve best practice regarding extenuating circumstances, academic appeals and other processes that could result in a student complaint to the Office of the Independent Adjudicator. Overall, no fundamental concerns were raised by the review. The educational character committee would continue to monitor best practice in handling academic appeals, student complaints and OIA issues.

### **Annual value for money report**

23. The committee noted the annual value for money report (paper **AC.67(13)**) which demonstrated that the university had delivered value for money during 2012/13.

### **Draft audit committee annual report**

24. The committee discussed the draft audit committee annual report (paper **AC.68(13)**). The committee's main concern was around ICT security following a high risk internal audit report and progress against this would continue to be monitored.

25. The committee approved the report subject to further assurances being provided on the management and quality assurance of data submitted to HESA and HEFCE.

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

26. The committee noted the anti-fraud, bribery and corruption report (paper **AC.70(13)**). The executive were not aware of any instances of fraud, bribery or corruption since the last meeting.

**Speak up report**

27. The committee noted the speak up report (paper **AC.71(13)**). No matters had been raised under the speak up policy since the last meeting.

**Matters to report to the Board**

28. The committee noted that the annual report and accounts and the audit committee annual report would be reported to the Board meeting of 21 November 2013.

**Date of next meeting**

29. It was noted that the next meeting would be at 4pm on Thursday, 6 February 2014.

There being no further business, the meeting concluded.

Confirmed as a true record:

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Chairman

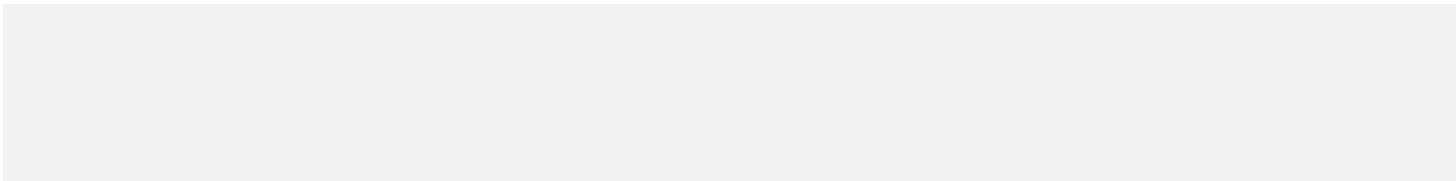
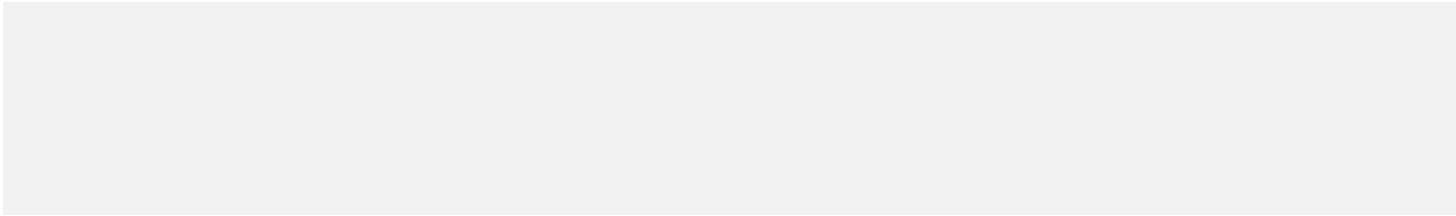
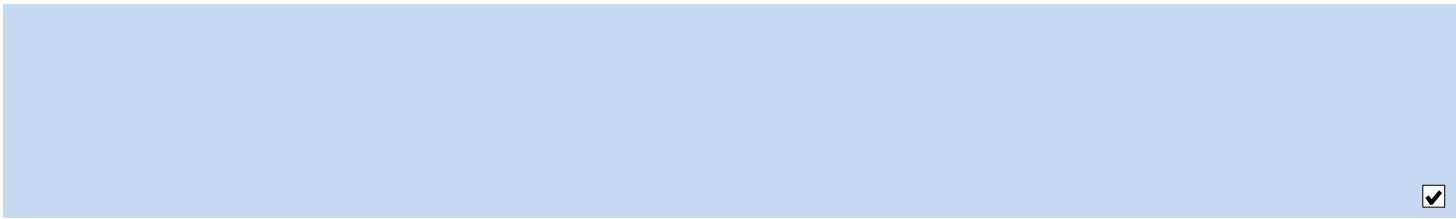


# Committee Action Points

30 January 2014

09:50:29

Committee	Date	Minute	Action	Person Res	Status	
Audit	31/10/2013	3	Publication of minutes	Secretary		<input checked="" type="checkbox"/> Completed
Audit	31/10/2013	6	Update on ICT actions prior to next meeting and at next meeting	Chief Information Officer	On agenda.	<input checked="" type="checkbox"/> Completed
Audit	31/10/2013	10	Indicative pensions assumptions to be discussed in detail at June meeting each year	EDF	On forward plan	<input checked="" type="checkbox"/> Completed
Audit	31/10/2013	25	Update assurances on management and quality assurance of data in the audit committee annual report	PVC - A		<input checked="" type="checkbox"/> Completed



	PAPER NO: AC.02(14)	
Board/Committee:	Audit Committee	
Date:	6 February 2014	
Paper title:	ICT Security Update	
Author:	David Swayne, Chief Information Officer	
Executive sponsor:	Ian Mehrtens, Executive Director of Corporate Services	
<b>Recommendation by the Executive:</b>	The Executive recommends that the Audit Committee note the attached report.	
Aspect of the Corporate Plan to which this will help deliver?	<ul style="list-style-type: none"> <li>• Creating an environment in which excellence can thrive.</li> <li>• Financial sustainability.</li> </ul>	
Matter previously considered by:	Audit Committee	On: 13 <sup>th</sup> June 2013, 12 <sup>th</sup> September 2013, 31 October 2013, 4 <sup>th</sup> November 2013
Further approval required?	n/a	n/a
Communications – who should be made aware of the decision?	n/a	



## **Executive Summary**

This paper has been requested by the Audit Committee following the presentation of progress to address the internal audit findings on IT. The paper provides an update on the actions being taken to rectify the issues identified by the internal.

### Physical Security

It has been decided that the locks on the network rooms be replaced with electronic Salto locks as these give the highest level of security and also an audit trail of access to the rooms. All of the network and data centre rooms are fitted with Salto locks and access is restricted to ICT and specific members of staff that manage equipment in those locations. A process is in operation whereby ICT Senior Management agree changes to authorised access with Security.

All Physical Security actions are complete.

### User Administration

A monthly reconciliation of active user accounts vs. leavers is completed to ensure that all accounts have been terminated as required. This action is complete.

A new solution for user account administration has been identified and the business case was approved by the Executive, Policy and Resources Committee and the Board of Governors in November. A formal tender process was followed in December and contractual negotiations are taking place with Insight / IBM.

### Logical Security

The Managed Security Service was operational by 30<sup>th</sup> November. The service is reporting security anomalies to ICT and these are being addressed as they happen.

The Logical Security Policy documentation needs to be raised and agreed to reflect the actions taken.

All other Logical Security actions are complete.

### Phishing

All Phishing actions are complete.

### Summary

All actions are complete except:

1. Purchase and implementation of new user administration solution which is part of proposed IBM Partnership.
2. Agreement of a Logical Security Policy.

# London South Bank University

	PAPER NO: AC.03(14)	
Committee:	Audit Committee	
Date:	6 February 2014	
Subject:	Transparent Approach to Costing – TRAC sign off	
Author:	David Kotula, Reporting Analyst (Special Projects)	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Recommendation by the Executive:	That the Committee retrospectively approves the attached return, made to HEFCE on 31 January 2014 based on the assurances provided herein.	
Aspect of the Corporate Plan to which this will help deliver?		
Matter previously considered by:	N/A	N/A
Further approval required?	N/A	N/A
Communications – who should be made aware of the decision?		

## Executive summary

The Transparent Approach to Costing return (TRAC) is a mandatory return made annually in January.

The key purpose of the TRAC analysis is to provide an analysis of the costs and income allocated by Teaching, Research and Other.

The key risk is incorrect data analysis leading to erroneous results.

HEFCE guidance requires that the return is approved by a Committee of the Board of Governors. The purpose of this report is to provide such assurance and request approval of the return for 2012/13.

## **Assurances regarding process**

The following assurances are provided to Committee with regard to process:

### 1. Reconciliation to accounts

- The TRAC return is an annual return completed every January. The basis for the 2012-13 return was the financial accounts for year ending 31/07/2013. The return has been checked and reconciles to the published financial accounts.
- This information includes costs down to individual staff level for teaching staff and to cost centre level for faculty support staff. The individual staff costs are extracted from payroll data used in the Management Accounts and the staff cost data in Agresso. All figures have been reconciled back to the published accounts.

### 2. Compliance with guidelines/regulations

- The return has been prepared by the University's Reporting Analyst (Special Projects) in accordance with the regulations set down by HEFCE for the preparation of the TRAC return. This includes any updated regulations or issues raised at the TRAC self-help groups organised by the TRAC Development Group and BUFDG.
- The regulations state that support and guidance should be gathered from faculty managers and that the results be discussed with representatives from each faculty. The results have been shared and reviewed in detail.
- Additional cost adjustments are made to published accounts to reflect Return on Finance and Investment (RFI) and infrastructure costs. These are calculated based on the TRAC regulations and are designed to reflect the true cost of running the establishment.
- The core costing information is based on the amount of time spent teaching for each academic member of staff. This is derived from a Time Allocation Survey (TAS) that is completed four times a year. The regulations state that the results should be reviewed and verified by faculty managers to allow for any adjustments to be made prior to using the data in the TRAC return. Appropriate review has been undertaken by faculty representatives.
- Additional cost drivers are based on student FTE derived from the HESES12 dataset, staff FTE's derived from Payroll and HR data, space allocation from the EAF Tribal K2 System, and library usage data from LLR.

- All cost data is derived from the Agresso finance system at a cost centre and source code level. This data is reconciled against the source files used by the Financial Accountant to produce the published accounts.
- The robustness and accuracy of the data was verified during a review process by Ralph Sanders – Financial Planning Manager.

3 Prior Discussion and review with committee.

- The process and key checklist document were discussed with the chair of committee.
- A member of the committee, Douglas Denham St.Pinnock has been briefed regarding process and reviewed the key checklist document.
- A draft version of the return was discussed with Douglas Denham St.Pinnock on 13/01/2014.

**Annual TRAC return reporting for AY 2012-13**

Institution: London South Bank University Code: H-0076 UKPRN: 10004078 TRAC Peer Group: E
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**Declaration by head of institution**

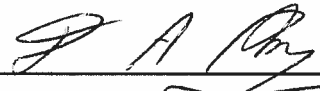
I confirm that the costs, income and charge-out rate information reported in the attached return have been prepared in accordance with the TRAC requirements as set out in the Statement of Requirements (version 4.2 October 2013). (<http://www.icpsg.ac.uk/guidance/require/>)

I confirm that a full self-assessment of compliance against each point listed in the Statement of Requirements (version 4.2 October 2013) has been carried out in the last three years. I also confirm that a Board Committee has specifically reviewed the results of the tests for reasonableness and has either confirmed compliance or has drawn up an action plan for any areas where the institution is not fully compliant. I confirm that the Board Committee has lay membership as per Update 6 (paragraph 2.13).

Name of Board committee which confirmed compliance with the TRAC requirements. Audit Committee	Date of meeting at which compliance was confirmed (Please enter in the format of dd/mm/yyyy) 06/02/2014
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If the Board Committee is meeting after the date of this return, please also state in the box below who provided the confirmation for this return, and the date (e.g. Chairman's Action, or management committee). Please note that responsibility still lies with the Board Committee for this confirmation.

Name of person/committee who provided confirmation for this return. Richard Flatman	Date of confirmation (Please enter in the format of dd/mm/yyyy) 13/01/2014
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Signed: (Head of institution) 

Name: D. PHOENIX

Title: PROF.

Date: 24/1/14

To be returned no later than 31st January 2014

Please scan the signed hard copy and upload electronically to the funding councils via the secure area of the HEFCE website. The Funding Councils no longer require a paper copy.

**Annual TRAC return reporting for AY 2012-13**

Institution: London South Bank University  
 Code: H-0076  
 UKPRN: 10004078  
 TRAC Peer Group: E

IN CONFIDENCE

To be returned no later than 31st January 2014. Earlier submissions welcome.

**This worksheet has passed all validation checks**

**Institutional results**

Data collected for use by the Funding Councils

	£000	As a % of expenditure
<i>Actual Operating Surplus</i>		
Total income* (per audited financial statements for 2012-13)	137,855	
Total expenditure* (per audited financial statements for 2012-13)	131,798	
Operating surplus/(deficit) per audited financial statements	<u>6,056</u>	<u>4.6%</u>
<i>Target Operating Surplus</i>		
Infrastructure adjustment	3,598	2.7%
Return for financing and investment adjustment	8,854	6.7%
Target surplus for sustainable operations (infrastructure adjustment + RFI adjustment)	<u>12,452</u>	<u>9.4%</u>
Sustainability gap (difference between target surplus for sustainable operations and operating surplus/(deficit))	6,396	4.9%
Full economic cost (total expenditure + target surplus for sustainable operations)	144,250	109.4%

\* The income and expenditure lines as reported in the financial statements should be adjusted, where appropriate, in line with section B.1.7 of the Statement of Requirements (version 4.2 October 2013) in respect of joint ventures, minority interests and endowments.

**Notes:**

1. Exceptional items (as defined by FRS 3 - i.e. those items appearing after the operating surplus/(deficit)) should not be included in the total income or full economic cost lines above.
2. Please ensure that the net RFI adjustment on expenditure is calculated in accordance with the guidance provided at section B.2.6 of the Statement of Requirements (version 4.2 October 2013) and Update 6 (<http://www.jcpsg.ac.uk/guidance/revisions/>)

Is your institution eligible for and applying dispensation from 1 April 2014? Please select Yes/No from the drop-down box

(Eligibility is defined as institutions with less than £3,000,000 annual research income from public sources. A rolling average of Research income (over five years) is used to assess whether £3,000,000 has been reached or not. More information on dispensation can be found in section A.4 of the Statement of Requirements: <http://www.jcpsg.ac.uk/guidance/require/>)

## Annual TRAC return reporting for AY 2012-13

Institution: London South Bank University  
 Code: H-0076  
 UKPRN: 10004078  
 TRAC Peer Group: E

### Analysis of TRAC results

#### (A) TRAC income and full economic costs by activity

Data collected for use by the Funding Councils

	Teaching		Research £000	Other £000	Total £000
	Publicly funded £000	Non-publicly funded £000			
Income	104,166	9,180	6,334	18,175	137,855
TRAC full economic costs	103,540	8,198	15,256	17,257	144,250
Recovery of full economic costs (income as a % of full economic costs)	100.6%	112.0%	41.5%	105.3%	95.6%

Note: Income allocation guidance is contained in Annex 16 of the TRAC guidance and can be found here: <http://www.icpsg.ac.uk/guidance/annexes.htm>

Section B (Teaching and Research income by source) has been removed. These data are no longer collected by the Funding Councils.

#### (C) Research income and full economic costs by research sponsor type

Data collected for use by the Funding Councils and RCUK

	Recurrent research funding from the funding councils £000	Institution- own funded £000	Postgraduate research £000	Research Councils £000	Other govt departments £000	European Union* £000	UK-based Charities £000	Industry** £000	Total Research £000
TRAC full economic costs		5,585	5,392	837	1,128	802	605	907	15,256
Recovery of full economic costs (income as a % of full economic costs)		5.3%	15.0%	78.8%	88.0%	52.1%	64.3%	87.8%	41.5%

Is your allocation of academic staff time to research sponsor types robust? Please select Yes/No from the drop-down box.

Yes

(Whilst it is not a TRAC requirement for 2012-13 to hold robust data at this level [see Section B.4 of the Statement of Requirements version 4.2 October 2013], some institutions do have robust data at this level already. A lack of robustness may arise whilst you are amending your processes in readiness for the compliance deadline of 2013-14, because the sampling process was not designed for robustness at that level, or proxies are being used to allocate costs between research sponsor types, or for other reasons.)

\* European Union covers EU government bodies including the Commission. This is the same as that defined under 3(e) in Table 6b of the HESA Finance Statistics Return.

\*\* Industry should include all other organisations such as UK industry, commerce and public corporations, EU non-government organisations (i.e. EU-based charities, EU industry and EU other), Overseas charities, Overseas industry and Other sources.

For further details of definitions please see B.1.5 and B.7.2a of the Statement of Requirements (version 4.2 October 2013).

Annual TRAC return reporting for AY 2012-13

Institution: London South Bank University  
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 UKPRN: 10004078  
 TRAC Peer Group: E

This worksheet has passed all validation checks

**(D) Calculation of indirect and estates cost charge-out rates for Research**

Data collected for use by the RCUK and for benchmarking

Please select box (shown on the right) if you do not calculate an estates laboratory rate or an estates non-laboratory rate

	Estates non-laboratory		Estates laboratory
	Indirect		
Cost per TRAC allocated to research	6,303	528	957
Academic staff FTEs (i)	678.8	241.4	437.4
% research time of academic staff (Please enter as a % out of 100) (ii)	11.0	11.0	11.0
Resulting in direct time of academic staff (i) * (ii)	74.8	26.6	48.2
Research assistants and fellows FTEs	41.4	14.7	26.7
PGRs FTEs	181.5	111.0	70.5
weighted by	0.2	0.5	0.8
weighted FTEs	36.3	55.5	56.4
<b>Total FTEs</b>	<b>152.5</b>	<b>96.8</b>	<b>131.3</b>
Rate (£)	41,324	5,452	7,289
Indexation (two years) %	4.1	4.1	4.1
Indexed year 1 rate (£)	43,019	5,676	7,588

Note:

The lab estates should exclude all costs of laboratory technicians and major or small research facilities (which are reported under E.1 below). The non-laboratory estates costs should include relevant elements of these costs, unless you are charging them separately (when again they would then be reported under E.1)

Do you calculate and apply different indirect rates for each department? Please select Yes/No from the drop-down box  
 If Yes please list the departments and the rates in table D(a) in the worksheet "RCUK\_Departmental\_rates"

Do you calculate and apply different estates rates for each department? Please select Yes/No from the drop-down box  
 If Yes please list the departments and the rates in table D(a) in the worksheet "RCUK\_Departmental\_rates"

**(E) Calculation of laboratory technician and research facility charge-out rates for Research**

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 UKPRN: 10004078  
 TRAC Peer Group: E

Data collected for use by the RCUK and for benchmarking

In section E, it is not a TRAC requirement to identify laboratory technician costs in non-laboratory departments separately from estates costs. If you do identify laboratory technician costs separately, please respond using the drop-down box (this will provide you with cells to enter data in the tables below).

Please choose an option from the drop-down box to inform us if you have no lab technicians and/or no research facilities

	Research		
	Non-laboratory <sup>1</sup> £000	Laboratory £000	Total £000
<b>E.1 Total costs allocated to Research</b>			
1. Major research facilities and small research facilities <sup>2</sup>			
2. Laboratory technicians			
a. DI <sup>3</sup>		0	0
b. Pool		60	60
c. Infrastructure		0	0
Total		60	60
Total costs	0	60	60

Note:

<sup>1</sup> Many institutions will not have identified these costs separately from estates costs in non-laboratory research disciplines. It is not a TRAC requirement.

<sup>2</sup> Major research facilities and small research facilities should include all costs included in the calculations of the charge-out rates for MRFs and SRFs, whether charged as DI or DA.

<sup>3</sup> Please enter the costs of all DI technicians allocated to research irrespective of whether their salary was allocated wholly to DI, or partly to Support and partly to DI.

Please describe the rates that you calculate and apply on small research facilities and major research facilities on table E(a) in the worksheet Departmental rates



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E.2 Analysis of total estates costs allocated to Research (this table will automatically be completed with information from sections D and E.1.)	Non-laboratory <sup>1</sup> £000	Laboratory £000	Total £000
1. Estates costs included in the estates cost rate calculation	528	957	1,485
2. Gross estates costs (i.e. estates plus all technicians and all research facilities.)	528	1,017	1,545
3. % of gross estates costs			
a. Major research facilities and small research facilities			
b. Laboratory technicians			
i. DI		0.0	0.0
ii. Pool		5.9	3.9
iii. Infrastructure		0.0	0.0
Total		5.9	3.9
Total	0.0	5.9	3.9

Note - It is assumed here, for benchmarking purposes only, that all research facility and laboratory technician costs were originally part of a gross estates cost (even though in practice some of these costs would have been DI and not in the estates cost total at all and some of these costs may have been in indirect costs). The gross estates cost is calculated for you on row E.2.2. No research facility or laboratory technician cost (whether DI or DA) are in the estates cost total that is used for the estates cost rate calculation - row E.2.1.

E.3 Calculation of laboratory technician infrastructure rate	Non-laboratory <sup>1</sup>	Laboratory	Total
Total laboratory technician infrastructure costs (£000)			
Academic/researcher/PGR FTEs			
Laboratory technician infrastructure rate per FTE (£)			
Indexation (Two years) %			
Indexed year 1 rate (£)			

Do you calculate and apply laboratory technician infrastructure rates separately for each department?  
 If Yes please list the departments and the rates in table D(a) in the worksheet "RCUK\_Departmental\_rates"

No

(F) Analysis

Data collected for use by the RCUK

F.1 Analysis of Support costs  
 Estates costs and indirect costs

	Teaching £000	Research £000	Other - academic department activities £000	Other - standalone enterprise activities such as residences, catering and (most) trading companies <sup>1</sup> £000	Total £000
Estates costs <sup>2</sup> (excluding research facilities and lab technicians)					
Return for Financing and Investment	3,274	239	759	0	4,271
Other estates costs	17,096	1,246	898	2,815	22,055
Total estates costs	20,370	1,485	1,656	2,815	26,326
Indirect costs					
Support time of academic staff	10,891	1,081	399	0	12,372
Central services	39,577	3,292	1,159	0	44,028
Support staff in academic departments	5,165	1,531	235	0	6,930
Non-staff costs in academic departments	0	0	0	0	0
Return for Financing and Investment	2,924	399	433	0	3,756
Total indirect costs	58,557	6,303	2,226	0	67,086
Total Estates and indirect costs	78,926	7,788	3,883	2,815	93,412

<sup>1</sup> Please refer to TRAC Update 6 September 2011.

F.2 Analysis of staff time

Number of academic and research staff in the year (FTEs)

Academic staff covered by Time Allocation Survey <sup>3</sup>	678.8
Research assistants & fellows (wholly charged to R)	41.4
Other academic staff (wholly charged to T or O)	119.0
Total academic and research staff FTEs	839.2

<sup>3</sup> Academic staff covered by the time allocation survey reported in the table above should be the total number of academic staff who are covered by the current AST percentages, irrespective of whether they provided time estimates this year or in either of the two prior years, or whether they were actually part of the sample selected to provide data or not.

Academic staff covered by Time Allocation Surveys for the whole institution

	Teaching	Research	Other	Support	Total
% time unweighted for salaries <sup>4</sup>	29.9	10.2	1.2	58.7	100.0
% time weighted for salaries	55.7	14.2	2.6	27.5	100.0
Academic staff costs (£000s)	18,890	4,800	893	12,372	36,954

<sup>4</sup> See section 2.7 of the TRAC Update 6 September 2011 for further detail.

This table shows the institutional total of the department percentages that have been used to allocate academic staff costs.

Support for Teaching, Support for Research, Support for Other should all be shown under Support.

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Data collected for use by the RCUK

Please fill in table D(a) only if you calculate and apply rates by departmental level, as described in tables D and E.

All institutions charging research facilities as small research facilities and major research facilities need to complete table E(a) (located beneath table D(a))

**Table D(a): Rates calculated separately by Department**

Please fill in consecutive rows in the table

Department	Indexed year 1 rate (£)			
	Indirect	Estates non-lab	Estates lab	Lab technician infrastructure in non-lab departments

**Table E(a) Major research facility and Small research facility rates (Indexed to current year i.e. 2013 prices) <sup>1</sup>**

Please enter your 5 largest research facilities (Major or small) by value.  
 Please fill in consecutive rows in the table

Name of facility	Type of research facility (please chose MRF or SRF from the drop-down list)	Rate charged (£) per unit of output*	Unit of output

\*day, hour, run, unit of volume etc  
<sup>1</sup> See section C.5.9 of the Statement of Requirements (version 4.2 October 2013)

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IN CONFIDENCE

### (G) Calculation of the Margin for Sustainability and Investment

#### Data collected to inform the FSSG evaluation exercise

##### Completion of this section is optional

In HEFCE's recent review of TRAC, institutions commented that the RFI adjustment is not sufficiently tailored to each institution's circumstances and expressed the need to replace it. The FSSG undertook a study to assess alternative approaches to the RFI. Following this work, the Margin for Sustainability and Investment (MSI) has been proposed as an alternative. Institutions are invited to calculate their MSI for the AY 2012-13 as part of the FSSG's sector pilot year implementation of the ASSUR process. The FSSG will evaluate the data and the suitability of the MSI as a replacement for the RFI adjustment in determining the full sustainable costs of HEIs' activities. Collection of data on the MSI calculation is included in this year's TRAC return to avoid separate data collections and facilitate comparison with the RFI and Infrastructure adjustments. Further information about the MSI and ASSUR process is available on the FSSG web page. Two relevant documents are the latest newsletter that communicates a recent modification to the ASSUR reporting, and section four of the ASSUR Implementation notes, which describes how to calculate the MSI:

[FSSG Newsletter \(September 2013\)](#) [ASSUR Implementation Notes](#)

Any enquiry about this section of the return should be directed to Andrew Bush, e-mail [andrew.bush@kpmg.co.uk](mailto:andrew.bush@kpmg.co.uk)

The MSI is given by the institution's average required level of cash generation (EBITDA) over five years, divided by the adjusted turnover for the current year.

#### G.1 Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

	Actual 2011-12 £000	Actual 2012-13 £000	Forecast 2013-14 £000	Forecast 2014-15 £000	Forecast 2015-16 £000	5 year average £000
Historic cost surplus for the year	7,317	6,294	3,302	254	1,985	3,830
Interest payable	4,019	3,433	4,780	4,708	4,638	4,316
Tax charges	0	0	0	0	0	0
Depreciation	10,989	7,870	8,592	9,455	10,588	9,499
Release of deferred capital grants	-1,686	-1,893	-1,689	-1,502	-1,238	-1,602
Amortisation	0	0	0	0	0	0
Exceptional items	0	556	0	0	0	111
FRS17 staff charges/(credit)	3,878	4,913	4,100	4,100	4,100	4,218
<b>EBITDA</b>	<b>27,889</b>	<b>23,847</b>	<b>22,463</b>	<b>20,019</b>	<b>22,549</b>	<b>23,353</b>

#### G.2 Margin for Sustainability and Investment (MSI)

	£000
Consolidated turnover (per audited financial statements 2012-13)	137,855
Release of deferred capital grants 2012-13 (per audited financial statements 2012-13)	-1,893
Adjusted turnover 2012-13	139,748
<b>MSI</b>	<b>16.7%</b>

#### G.3 Apportionment of the MSI and of the infrastructure and RFI adjustment between TRAC categories

To inform the evaluation of the MSI that the FSSG will undertake, it is necessary to understand how the MSI is allocated between the TRAC categories (T, R and O). Enquiries have been made with a small number of institutions to ascertain the most appropriate and representative method of apportionment. These initial enquiries have suggested that the use of total expenditure as the basis of apportionment between T, R and O is likely to be representative at an institution level. Therefore in the table below, the weights of Teaching, Research and Other on a total expenditure basis (TRAC full economic costs from section A, less cost adjustments) have been applied to the MSI, to understand the relative contribution of each activity to this indicator. These data will inform the appraisal of the MSI and in particular the possible use by RCUK of the Research proportion of the MSI in their funding model.

To support the FSSG evaluation described above, institutions are asked to provide information on how the Infrastructure and the RFI adjustments are currently apportioned between the TRAC categories.

	Teaching	Research	Other	Total
Infrastructure adjustment (£000)	2,230	163	1,205	3,598
Infrastructure adjustment (%)	62.0%	4.5%	33.5%	100.0%
RFI adjustment on expenditure (£000)	2,924	399	433	3,756
RFI adjustment on expenditure (%)	77.8%	10.6%	11.5%	100.0%
RFI adjustment on assets (£000)	3,945	288	865	5,098
RFI adjustment on assets (%)	77.4%	5.6%	17.0%	100.0%
<b>MSI</b>	<b>13.0%</b>	<b>1.8%</b>	<b>1.9%</b>	<b>16.7%</b>

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Please use the text box below if you wish to comment on the appropriateness of the basis of apportionment of the MSI between the TRAC categories. Other options considered where to use Total Estates Expenditure, Management Judgment or allocation based on financial forecasts and capital expenditure plans, but issues were identified with each method that led to the suggestion that Total Expenditure provides the most reasonable basis of apportionment. Please do however provide you views, experience and suggestions on this issue.

**G.4 Comparison with the Infrastructure adjustment and the RFI adjustment**

The MSI is calculated as a percentage of 2012-13 adjusted turnover. For ease of comparability, the Infrastructure and the RFI adjustments are shown below as a percentage of 2012-13 total income, as well as a percentage of total expenditure.

	As a % of income	As a % of expenditure
Infrastructure adjustment	2.6%	2.7%
RFI (Return for financing and investment) adjustment	<u>6.4%</u>	<u>6.7%</u>
Infrastructure adjustment + RFI adjustment	9.0%	9.4%

For the purpose of the FSSG study, it would be helpful to understand why and in which circumstances the MSI is greater than the sum of the RFI and the Infrastructure adjustments as a percentage of income.

**If your institution's MSI is greater than the sum of the RFI and the Infrastructure adjustments as a percentage of total income, please use the text box below to explain why this occurs.**

The MSI differs from the RFI / Infrastructure adjustment in a number of ways. The RFI is based on 5.75% of the book value of the estate, this amount is only partially reflected in the MSI depreciation figure. The second element of RFI is based on 2.85% of the total income, in contrast the MSI takes into account the historic cost surplus, FRS17 pension charges and interest payable. The Infrastructure adjustment uses the Insurance valuation of the estate £376M X average building depreciation for year(2.6%), less depreciation on buildings. This is not comparable to the depreciation figure used in the MSI calculation.

Please use the text box below for other more general comments or observations on the MSI and the basis of apportionment between the TRAC categories.

Any enquiry about this section of the return should be directed to Andrew Bush, e-mail [andrew.bush@kpmg.co.uk](mailto:andrew.bush@kpmg.co.uk)

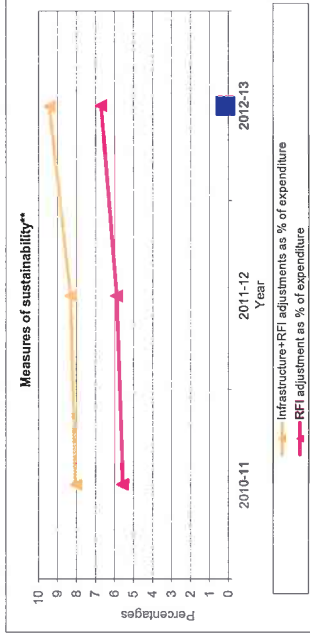
## Annual TRAC return reporting for AY 2012-13

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The 2010-11 and 2011-12 data columns are prefilled using data from the annual TRAC returns submitted in January 2011 and January 2012 respectively. The 2012-13 column will be automatically completed as the data in the other sheets of this workbook are completed. Please review the summary analysis after completion of the workbook and prior to submission as part of your reasonableness checks. In addition to the data in this summary sheet, you are reminded that benchmarking analysis comparing your 2010-11 and 2011-12 data to that of other TRAC peer groups and the UK sector is available to download from the HEFCE extranet. Benchmarking of 2012-13 data will be made available by April 2014.

### Institutional section

	2010-11	2011-12	2012-13	2010-11 to 2011-12	% difference	2011-12 to 2012-13	% difference
Total expenditure	135,025	131,753	131,798	-2.4	0.0		
Infrastructure adjustment	3,327	3,179	3,598	-4.4	13.2		
RFI adjustment*	7,549	7,784	8,654	3.1	13.7		
Target surplus for sustainable operations (infrastructure adjustment + RFI adjustment)	10,876	10,963	12,452	0.8	13.6		
<b>As a % of total expenditure</b>							
Infrastructure adjustment	2.5	2.4	2.7				
RFI adjustment	5.6	5.9	6.7				
Target surplus for sustainable operations (infrastructure adjustment + RFI adjustment)	8.1	8.3	9.4				
<b>As a % of adjusted income</b>							
Margin for Sustainability and Investment (MSI)			0.2				



\* New guidance regarding the RFI adjustment was introduced in 2010-11. Please see section B2.6 of the Statement of Requirements (v4.2 October 2013) and Update 6 (<http://www.lpsg.ac.uk/guidance/revisions/>)

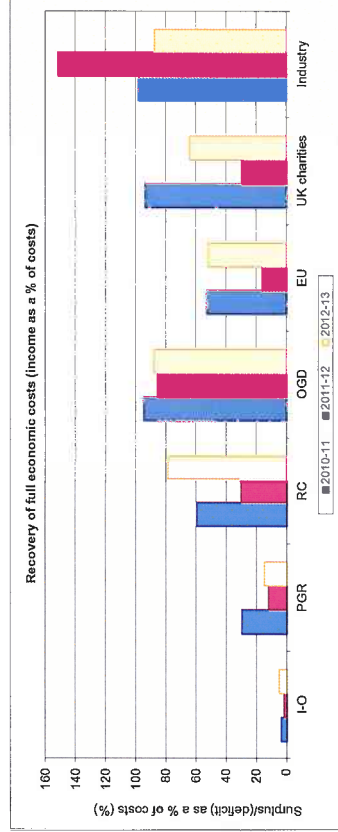
\*\* Please note that the MSI is calculated as a % of adjusted income, while the RFI and Infrastructure adjustments are shown as % of expenditure.

### TRAC income and full economic costs by activity

	2010-11	2011-12	2012-13
<b>Recovery of full economic costs (income as a % of costs)</b>			
Publicly funded Teaching	104.9	100.3	100.6
Non-publicly funded Teaching	104.3	101.9	112.0
Research	58.7	42.7	41.5
Other	96.0	128.7	105.3
Total	99.3	96.9	95.6

### Research income and full economic costs by research sponsor type

	2010-11	2011-12	2012-13
<b>Recovery of full economic costs (income as a % of costs)</b>			
Recurrent research funding from the funding councils			
Institution-own funded research	3.8	1.9	5.3
Postgraduate research	29.8	12.0	15.0
Research councils	59.6	30.2	78.8
Other government departments	94.8	85.5	88.0
European union *	52.9	16.0	52.1
UK charities	94.0	29.5	64.3
Industry **	97.8	151.3	87.8
Total research	56.7	42.7	41.5



\* European Union covers EU government bodies including the Commission. This is the same as that defined under 3(e) in Table 6b of the HESA Finance Statistics Return.

\*\* Industry should include all other organisations such as UK industry, commerce and public corporations, EU non-government organisations (i.e. EU-based charities, EU industry and EU other), Overseas charities, Overseas industry and Other sources. For further details of definitions please see B.1.5 and B.7.2a of the Statement of Requirements (v4.2 October 2013).

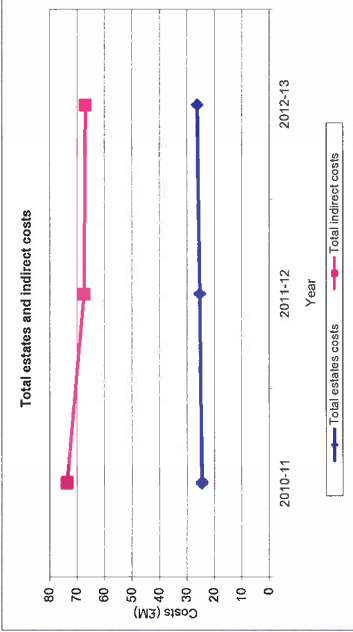
# Annual TRAC return reporting for AY 2012-13

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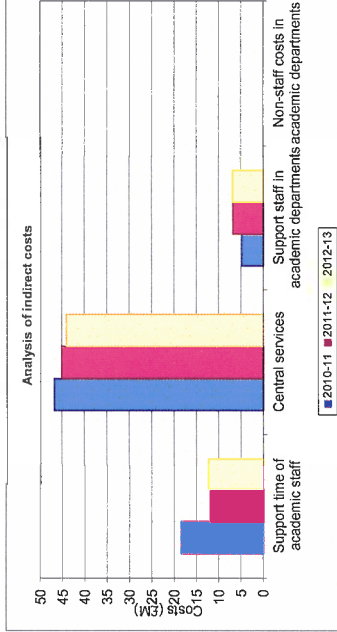
## Analysis of support costs, indirect costs and estates costs

Source: Section F

	2010-11	2011-12	2012-13	2011-12	2012-13	% difference 2010-11 to 2011-12	% difference 2011-12 to 2012-13
Total estates costs	24,594	25,276	26,326	2.8	4.2		
% of estates costs allocated to research	7.9	6.0	5.6				
Total indirect costs	73,714	67,540	67,086	-8.4	-0.7		
% of indirect costs allocated to research	6.9	11.0	9.4				
Total indirect costs excl RFI adjustment	69,866	63,841	63,330	-8.6	-0.8		
% of indirect costs (excl RFI adjustment), allocated to research	6.7	11.0	9.3				



	2010-11	2011-12	2012-13	2011-12	2012-13	% difference 2010-11 to 2011-12	% difference 2011-12 to 2012-13
Support time of academic staff	18,367	11,961	12,372	-34.9	3.4		
Central services	46,691	45,054	44,028	-3.5	-2.3		
Support staff in academic departments	4,808	6,826	6,930	42.0	1.5		
Non-staff costs in academic departments	0	0	0	0.0	0.0		
Return for Financing and Investment*	3,848	3,699	3,756	-3.9	1.5		
Total indirect costs	73,714	67,540	67,086	-8.4	-0.7		



\* New guidance regarding the RFI adjustment was introduced in 2010-11. Please see section B2.6 of the Statement of Requirements (v4.2 October 2013) and Update 6 (<http://www.lpsqa.ac.uk/guidance/revisions/>)

## Your workbook has passed all validation checks

## Checklist

## Validation passed

Please ensure all aspects of the TRAC return have been completed in accordance with this checklist

Select Yes, No or N/A from the drop-down boxes

1. Do academic and research assistant/fellow staff numbers reconcile with those used as cost drivers?
2. Do PGR numbers reconcile with those included in student number cost drivers?
3. Have research facility and laboratory technician costs been allocated to Teaching and Other activities where appropriate and excluded from the research facility or laboratory technician rates?
4. Have PGR scholarships, bursaries etc been excluded from the indirect costs for Research?
5. Have Teaching costs been taken into the TRAC (T) model? (select N/A if you are an institution in Wales)
6. Are total income and total expenditure (institutional results section) consistent with the data reported in the financial statements\*?
7. Have figures been compared to those of prior years and significant differences understood and explained (see commentary section and 'Summary worksheet')?
8. Has a Board Committee confirmed the results have been prepared in accordance with the TRAC requirements based on a full self assessment of compliance (Statement of Requirements section A.5.3)?
9. Has your TRAC Steering Group considered how they can use TRAC data internally or how it might be used in the future (see TRAC Update 6 paragraph 3.2)?
10. Do you currently use TRAC data for internal management purposes?
11. Is your institution going to implement the new workload planning/management approach to time allocation data (if relevant) (see TRAC Update 6 paragraph 3.3)?
12. Do you consider that your time allocation data and TRAC cost data (once any new methods, if applicable, have been fully implemented ) will be both robust and provide utility to your institution (see TRAC Update 6 paragraph 3.5)?
13. Has the RFI adjustment been calculated in accordance with the guidance provided at section B.2.6 of the October 2013 Statement of Requirements (v 4.2) and Update 6?

Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes
No
Yes
Yes

\* The income and expenditure lines as reported in the financial statements should be adjusted, where appropriate, in line with section B.1.7 of the Statement of Requirements (version 4.2 October 2013) in respect of joint ventures, minority interests and endowments.

## Commentary Section

Please upload an electronic commentary document along with your completed return to explain any of the following (if highlighted in purple):

Commentary documents should be submitted as a Word or PDF document via the secure area of the HEFCE website.

1. Recovery of full economic costs on PFT is more than 105%.
2. Recovery of full economic costs on NPFT is less than 100%.
3. Recovery of full economic costs on industry\*\* activity is less than 75%.
4. Recovery of full economic costs on Research Councils activity is less than 30% or more than 80%.
5. Recovery of full economic costs on Research Council activity is less than the recovery of full economic costs on charities activity.
6. Recovery of full economic costs on Research Council activity is less than the recovery of full economic costs on European Union activity.
7. Recovery of full economic costs on Other Government Department activity is less than recovery of full economic costs on Research Council activity.
8. Recovery of full economic costs on Research Council activity, Charities activity, European Union activity and/or Other Government Department activity is more than 100%.
9. Indirect cost rate is more than £45,000 or less than £30,000.
10. Estates laboratory rate is less than estates non-laboratory rate.
11. Estates laboratory rate is more than £15,000 or less than £5,000.
12. Estates non-laboratory rate is more than £9,000 or less than £4,000.
13. Total income and/or Total expenditure reported on the TRAC return is not consistent with data in the Financial statements and the difference is not due to the surplus/deficit on joint ventures, minority interest or endowments.

In addition:

14. Please comment on any material unusual movements in your TRAC return when comparing the data with your 2011-12 TRAC return. See 'Summary' worksheet for examples of year on year comparisons

The request for an explanation does not mean that your figures are wrong, simply that they may require further review and explanation. Please also note that figures for the rates quoted here are not the lower quartile and upper quartile figures, which would show a much narrower range.

\*\* Industry should include all other organisations such as UK industry, commerce and public corporations, EU non-government organisations (i.e. EU-based charities, EU industry and EU other), Overseas charities, Overseas industry and Other sources.

## Workbook validation checks

If, for any reason, you get any validation failures/warnings, you should review your figures to ensure they have been completed correctly before submitting your return to HEFCE. If you have a genuine reason for a validation failure/warning, please submit a commentary document with an explanation of this.

Commentary documents should be submitted as a Word or PDF document via the secure area of the HEFCE website.

1. The name of a Board Committee and a date of the meeting at which compliance with the TRAC requirements was confirmed should be entered in the "Signoff\_Sheet" worksheet.

Validation passed

## Institutional Results

2. Only those institutions who have selected that they are not eligible for or applying dispensation should complete section D, E and F.

Validation passed

3. The RFI and the infrastructure adjustments would usually be greater than zero.

Validation passed

## Section A

4. Total income recorded in section A should equal total income recorded in the institutional results section.

Validation passed

5. Total full economic costs recorded in section A should equal the full economic cost recorded in the institutional results section.

Validation passed

## Section C

6. Recurrent research funding from the funding council should be recorded in the income line of the first column in section C.

Validation passed

7. Total research income recorded in section C should equal total research income recorded in section A.

Validation passed

8. Total research costs recorded in section C should equal total research costs recorded in section A.

Validation passed

9. The question on robustness of the allocation of academic staff time to research sponsor types should be completed.

Validation passed

## Section D

10. If you have identified that you do not calculate an estates laboratory rate or an estates non-laboratory rate in the drop-down box in section D, then the relevant columns should be left blank.

Validation passed

11. Academic staff numbers allocated to estates should be equal to or within 10% of those allocated to indirect costs.

Validation passed

## Your workbook has passed all validation checks

12. The % research time of academic staff (any column in row ii) would usually be less than 50%.

Validation passed

13. The % research time of academic staff in the indirect column should not be greater than both of the % research time returned in the two estates columns or less than both of the % research time returned in the two estates columns.

Validation passed

14. Direct time of academic staff in estates should be equal to or within 10% of those allocated to indirect costs.

Validation passed

15. If academic staff numbers (estates) equals indirect staff numbers (row (i)), then the direct time of academic staff (indirect) should equal the direct time of academic staff in the estates columns (row (iii)).

Validation passed

16. Research assistant/fellows numbers allocated to estates should be equal to or within 10% of those allocated to indirect costs.

Validation passed

17. PGR student numbers allocated to estates should be equal to or within 10% of those allocated to indirect costs.

Validation passed

18. Indexation should not be negative or 0 and would usually be less than 10%.

Validation passed

## Section E

19. If you do not identify laboratory technician costs in non-laboratory departments, (i.e. you have left the first drop-down box at the top of section E blank) then the relevant column in all of section E should be left blank.

Validation passed

20. Please ensure you have recorded whether you have lab technicians and/or research facilities consistently in table E.1. and the second drop-down box at the top of section E.

Validation passed

21. Institutions recording laboratory estates costs in section D should identify some laboratory costs in table E.1.

Validation passed

22. Laboratory technician infrastructure rate per FTE (£) in table E.3 should be completed and would usually be less than £8,000.

Validation passed

23. Academic/researcher/PGR FTEs in table E.3 should be equal to the total FTEs in section D (for both laboratory and non-laboratory columns).

Validation passed

24. Research intensive institutions (those in TRAC peer groups A or B) would usually report laboratory technician infrastructure rates in table E.3.

Validation passed

25. Research intensive institutions (those in TRAC peer groups A or B) would usually report research facilities in table E.1.

Validation passed

26. If you calculate a laboratory technician infrastructure rate, please enter an indexed rate i.e. indexation should not be negative or 0 and would usually be less than 10%.

Validation passed

## Section F

27. Research indirect costs in table F.1 should equal those recorded in the first line of section D

Validation passed

28. Research estates costs in table F.1 should equal those recorded in the first line of section D.

Validation passed

29. The sum of the estates costs element and of the indirect costs element of the RFI adjustment in table F.1 should not be more than the total RFI adjustment in the Institutional results section.

Validation passed

30. Total support time for academic staff from table F.1 should be equal to the academic staff costs for support reported in table F.2.

Validation passed

31. Academic staff FTEs allocated to indirect costs in section D should be within 10% of Academic staff covered by Time Allocation Survey in table F.2

Validation passed

32. Research assistants and fellows in table F.2 should equal those in section D.

Validation passed

33. Percentage time unweighted for salaries for research in table F.2 should be equal to the percentage research time for academic staff recorded in section D.

Validation passed

34. Percentage time weighted for salaries should be completed in table F.2.

Validation passed

35. The total % time of academic staff (both weighted and unweighted for salaries) in table F.2 should equal 100%

Validation passed

36. Please check that costs in table F.1 have been correctly split between 'Other - academic department activities' and 'Other - standalone enterprise activities such as residences, catering and (most) trading companies'.

Validation passed

Confirm

## Section G

37. The total infrastructure adjustment and the total RFI adjustment in section G.3 should be equal to the infrastructure and the RFI adjustments recorded in the institutional results section.

Validation passed

38. If the Margin for Sustainability and Investment is greater than sum of the RFI adjustment and the Infrastructure adjustment as percentage of total income, please fill in the comment box in section G.4.

Validation passed

## Post submission Validation Section (England and Northern Ireland only)

If, for any reason, you get any validation failures/warnings, you should review your figures and/or the response in checklist question 6, to ensure they have been completed correctly. If this is a data error then please correct your figures in the annual TRAC return and resubmit your workbook to HEFCE.

39. Total income reported in the Annual TRAC return (institutional results section) should be consistent with data in table 1 of the Financial Tables returned in December 2013\*.

Validation passed

40. Total expenditure reported in the Annual TRAC return (institutional results section) should be consistent with data in table 1 of the Financial Tables returned in December 2013\*.

Validation passed

\* The income and expenditure lines as reported in the financial statements should be adjusted, where appropriate, in line with section B.1.7 of the Statement of Requirements (version 4.2 October 2013) in respect of joint ventures, minority interests and endowments. For further information on how the post validation checks are calculated, please see the "Instructions" document included in the package you have downloaded from the secure area of the HEFCE website.



	PAPER NO: AC.04(14)	
Board/Committee:	Audit Committee	
Date:	6 February 2014	
Paper title:	Quarterly Risk Report	
Author:	John Baker, Corporate and Business Planning Manager	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	That the committee notes the risk register	
Aspect of the Corporate Plan to which this will help deliver?	The corporate risk framework is aligned to the new corporate plan and effective management of corporate risk underpins successful delivery of all aspects of the plan.	
Matter previously considered by:	Audit Committee	On: each meeting
Further approval required?	Board (for information)	On: 20 March 2014
Communications – who should be made aware of the decision?		

### **Executive Summary**

The committee is requested to note the updated risk register.

LSBU Corporate Risk Register cover sheet: Risk overview on matrix of impact & residual likelihood

AC.04(14)

Date: 6 February 2014

Author: John Baker – Corporate & Business Planning Manager

Executive Lead: Richard Flatman – Chief Financial Officer

	2: Loss of revenue if recruitment targets not met (BJ)	1: Failure to position the university to effectively respond to changes in government policy & the competitive landscape (DP)	4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty / closure</i>	<b>Impact</b>
397: Effectiveness of delivery impaired as institution goes through restructuring process (DP)  3: Increasing pensions deficit (RF)	6: Ineffective data systems provide Management Information that is not meaningful and reliable, either for internal decision or for external reporting (PC)  14: Potential loss of NHS contract income (JE)  305: Student & other Data not used and maintained securely (IM)  362: Poor staff engagement (DP)	37: Potential impact of estates strategy delivery on financial position (RF)	3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>	
	398: Academic programmes do not remain engaged with technological and pedagogic developments which support students and promote progression and achievement (PC)		2 Medium <i>failure to meet operational objectives of the University</i>	
			1 Low <i>little effect on operational objectives</i>	
<b>3 - High</b> <i>The risk is likely to occur short term</i>	<b>2 - Medium</b> <i>This risk may occur in the medium to long term.</i>	<b>1 - Low</b> <i>This risk is highly unlikely to occur</i>		
<b>Residual Likelihood</b>				

Changes since presentation at November 2013 Audit Committee meeting detailed below:

Updated items:

Risk reference	Risk area	Changes made
1	Response to changes in environment	New actions relating to restructure, related consultation & leadership
2	Revenue & income targets	Action around international strategy postponed from 29 November 13 to enable input from Dave Phoenix, and new actions added regarding schools partnership strategy & engagement with the UEA & UTC.
3	Pensions deficit	New control regarding DC pension scheme for SBUEL staff.
6	Ineffective data	New action regarding internal audit of student data and restructuring of reporting functions to enable alignment.
14	Loss of NHS income	New action around engagement with consultation on pre-reg nursing contract funding.
37	Estates strategy £ impact	SLC final report Update: the 12 month defects liability period has passed and we are working through the final defect list. No progress on Final Account completion until works is done to ensure completion. Post Occupancy Evaluation (POE) is due by the end of Feb.
305	Data Security	Update note: Information Security Solution: Managed Security Service has identified issues that have been rectified. Latest report benchmarks LSBU against other clients in sector and we had fewer incidents than others. Mobile device management: The mobile device management software and laptop encryption software are being applied to equipment across the University. The process is that staff bring their equipment to ICT at a pre-arranged date / time and we apply the software.
362	Staff Engagement	Responses summary action now marked as completed. New actions added relating to consultation processes for the restructuring process, launch of the behavioural framework and the development of the medium term strategy for 2015-2020.
397	Restructuring impact on service	New risk added to register.
398	Academic programmes do not remain engaged and promote progression and achievement	New risk added to register.

## Corporate Level - Risk Register

<b>Date</b>	31/01/2014
<b>Risk Status</b>	Open
<b>Risk Area</b>	Corporate

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
1	<p>Failure to position the university to effectively respond to changes in government policy and the competitive landscape</p> <p><b>Risk Owner: David Phoenix</b></p> <p><b>Last Updated: 29/01/2014</b></p>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Changes to fees and funding models</li> <li>- Increased competition, supported by Government policy</li> <li>- Failure to anticipate change</li> <li>- Failure to position (politically)</li> <li>- Failure to position (capacity/structure)</li> <li>- Failure to improve League Table position</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Further loss of public funding</li> <li>- Loss of HEFCE contract numbers</li> <li>- Failure to recruit students</li> <li>- Business model becomes unsustainable</li> </ul>	<p>4 3</p> <p><b>Critical</b></p>	<p>Financial controls (inc. forecasting/modelling, restructure) to enable achievement of operating surplus target</p> <hr/> <p>Regular scrutiny of press packs by Board &amp; Executive to monitor Institutional Esteem, and direct PR activity as appropriate.</p> <hr/> <p>Maintain relationships with key politicians/influencers, boroughs and local FE</p> <hr/> <p>Annual review of corporate strategy by Executive and Board of Governors</p> <hr/> <p>OFFA agreement for 13/14 and Student Access &amp; Success Strategy for 14/15</p> <hr/> <p>Modelling work regularly updated to establish a fee position net of fee waivers less than £7500 for the 12/13 entry cohort, using allocation of fee waivers and bursaries as required. elling/updated.</p>	<p>4 1</p> <p><b>High</b></p>	<p>Ensure appropriate leadership for the organisation through an open range of senior appointments and a more strategic approach to Business Intelligence.</p> <p><b>Person Responsible: David Phoenix</b></p> <p><b>To be implemented by: 01/08/2014</b></p> <hr/> <p>Consider potential impact of significant reduction in Student Opportunity Funding.</p> <p><b>Person Responsible: Richard Flatman</b></p> <p><b>To be implemented by: 30/06/2014</b></p> <hr/> <p>Conduct full consultation with staff to enable development of Medium Term Strategy from 2015 - 2020.</p> <p><b>Person Responsible: David Phoenix</b></p> <p><b>To be implemented by: 30/06/2014</b></p> <hr/> <p>Realign academic offering to market through restructuring of Faculties into Schools and appointment of new Deans &amp; Deputy Vice Chancellor.</p> <p><b>Person Responsible: David Phoenix</b></p> <p><b>To be implemented by: 29/08/2014</b></p> <hr/> <p>Full review of organisational structures to ensure clarity of roles and alignment with key deliverables.</p> <p><b>Person Responsible: David Phoenix</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
<b>To be implemented by: 01/08/2014</b>						
2	Loss of revenue if recruitment targets not met  <b>Risk Owner: Beverley Jullien</b>  <b>Last Updated: 29/01/2014</b>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Changes to fees mechanisms for UGFT</li> <li>- Increased competition (removal of SNC cap in 15/16)</li> <li>- Failure to develop and communicate brand</li> <li>- Lack of accurate real-time reporting mechanisms</li> <li>- LSBU late entrant to international student market and fails to catch-up</li> <li>- Poor league table position</li> <li>- Portfolio or modes of delivery do not reflect market need</li> <li>- Failure to engage with non-enterprise activities</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Under recruitment</li> <li>- Loss of HEFCE contract numbers</li> <li>- Over recruitment leading to penalties on HEFCE numbers</li> <li>- Failure to meet income targets for non-HEFCE students</li> </ul>	4 3 <b>Critical</b>	<p>Report on student recruitment presented to every monthly Executive meeting and also reviewed by Board of Governors</p> <hr/> <p>Enterprise Business Plan submitted annually to SBUEL Board for approval &amp; quarterly updates provided at Board meetings.</p> <hr/> <p>Sustainable Internationalisation strategy &amp; Action Plan, includes Fees &amp; Discount policy, with simplified fee structure and discount/scholarship programme for targeted countries, &amp; enhanced in-market and partner activities</p> <hr/> <p>League Table action plan</p> <hr/> <p>Modelling of student recruitment numbers, including worse case scenarios which aid the planning process.</p> <hr/> <p>Reports on the 16-20 Challenge Programme (Financial &amp; Narrative) will be provided to each Executive Meeting to aid constant scrutiny of this initiative and review of progress against 5 year income targets.</p> <hr/> <p>SBUEL has 2 Non-Executive Directors in place to oversee the Enterprise strategy</p>	4 2 <b>Critical</b>	<p>Develop partnership strategy for working with local schools</p> <p><b>Person Responsible: Beverley Jullien</b></p> <p><b>To be implemented by: 30/05/2014</b></p> <hr/> <p>Develop generic LSBU student outcomes at all award levels to ensure continued course competitiveness.</p> <p><b>Person Responsible: Phil Cardew</b></p> <p><b>To be implemented by: 30/11/2014</b></p> <hr/> <p>Recruitment strategy for International to be refocused into an Internationalisation Plan to deliver a step-change in recruitment of international students at both UG and PG.</p> <p><b>Person Responsible: Beverley Jullien</b></p> <p><b>To be implemented by: 30/04/2014</b></p> <hr/> <p>Support and engage with University Engineering Academy &amp; support development of University Technical College.</p> <p><b>Person Responsible: Rao Bhamidimarri</b></p> <p><b>To be implemented by: 28/11/2014</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
				Differentiated campaigns started for postgraduate and part-time students		
3	Staff pension scheme deficit increases	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Increased life expectancies</li> <li>- Reductions to long term bond yields, which drive the discount rate</li> <li>- Poor stock market performance</li> <li>- Poor performance of the LPFA fund manager relative to the market</li> <li>- TPS/USS schemes may also become subject to FRS17 accounting</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Increased I&amp;E pension cost means other resources are restricted further if a surplus is to be maintained</li> <li>- Balance sheet is weakened and may move to a net liabilities position, though pension liability is disregarded by HEFCE</li> <li>- Significant cash injections into schemes may be required in the long term</li> </ul>	3 <b>High</b>	<p>Switch of inflator from RPI to CPI (expected to be lower in the long term)</p> <hr/> <p>Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars</p> <hr/> <p>Regular valuation of pension scheme (actuarial and FRS 17). Most recent FRS valuation shows significant reduction in LPFA deficit.</p> <hr/> <p>Regular Reporting to HR committee.</p> <hr/> <p>DC pension scheme now established for SBUEL staff.</p> <hr/> <p>Tight control of staff costs in all areas (and reported to committee and Board via agreed KPIs)</p> <hr/> <p>New LPFA scheme, effective April 2014</p> <hr/> <p>Strict control on early access to pension at redundancy/restructure</p> <hr/> <p>Active monitoring in year of trends in discount rate, life expectancy assumptions etc to ensure year-end adjustments are minimised</p>	3 <b>High</b>	<p>To review Pension funding statement when received and then take action as appropriate.</p> <p><b>Person Responsible: Richard Flatman</b></p> <p><b>To be implemented by: 31/07/2014</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
6	<p>Ineffective data systems provide Management Information that is not meaningful and reliable, either for internal decision or for external reporting</p> <p><b>Risk Owner: Phil Cardew</b></p> <p><b>Last Updated: 31/01/2014</b></p>	<p><b>Cause &amp; Effect:</b></p> <p><b>Causes:</b></p> <ul style="list-style-type: none"> <li>- Data in systems is inaccurate</li> <li>- Data systems are insufficient to support effective delivery of linked management information</li> <li>- Resource constraints &amp; insufficient staff capability delay system improvement</li> <li>- unclear data during clearing</li> <li>- Lack of data quality control and assurance mechanisms</li> </ul> <p><b>Effects:</b></p> <ul style="list-style-type: none"> <li>- Insufficient evidence to support effective decision-making at all levels</li> <li>- Inability to track trends or benchmark performance</li> <li>- Internal management information insufficient to verify external reporting</li> <li>- over-recruitment penalties</li> <li>- HESA/HESES returns not credible</li> <li>- League table position impaired by wrong data</li> <li>- UKBA licence revocation if conditions not satisfied = loss of £8m+ revenue/year, &amp; reputation damage</li> <li>- Failure to satisfy requirements of Professional, Statutory and Regulatory bodies (NHS, course accreditation etc)</li> </ul>	<p>3 3</p> <p><b>High</b></p>	<p>Regular Engagement with internal auditors &amp; 3 year IA cycle to systematically check data in key systems (and related processes):</p> <ul style="list-style-type: none"> <li>- Finance (including student fees)</li> <li>- Student data (&amp; data Quality)</li> <li>- HR systems</li> <li>- Space management systems</li> <li>- UKBA requirements &amp; compliance</li> </ul> <hr/> <p>Systematic data quality checks of staff returns by HR in conjunction with faculties.</p> <hr/> <p>Engagement between International Office, Registry and Faculties to ensure compliance with UKBA requirements, specifically with regards to:</p> <ul style="list-style-type: none"> <li>- Visa applications and issue of Certificate of Acceptance to Study</li> <li>- English language requirements</li> <li>- Reporting of absence or withdrawal</li> </ul> <hr/> <p>Systematic data quality checks of student returns by Registry in conjunction with faculties.</p> <hr/> <p>International Office runs annual cycle of training events with staff to ensure knowledge of &amp; compliance with UKBA process</p>	<p>3 2</p> <p><b>High</b></p>	<p>Data management project has 3 stages:</p> <p>Stage 1 - completed May 2013</p> <p>Stage 2 - Sep 2013, disappointing PQQ response &amp; on hold as significant overlap with the IBM partnership proposal</p> <p>Stage 3 - September 2014, contingent upon broader partnership or a separate strand of action, including Master Data Management.</p> <p><b>Person Responsible: David Swayne</b></p> <p><b>To be implemented by: 30/09/2014</b></p> <hr/> <p>Manage and review external audit (Deloitte) of student HESA data.</p> <p><b>Person Responsible: David Phoenix</b></p> <p><b>To be implemented by: 30/04/2014</b></p> <hr/> <p>Construct a 'master data view' &amp; report system exceptions, including:</p> <ul style="list-style-type: none"> <li>* Student Records</li> <li>* Staff Records</li> <li>* Student Engagement / Progression</li> <li>* Admissions (especially during clearing and enrolment)</li> <li>* Curriculum</li> <li>* Estate (especially spaces used for teaching)</li> <li>* Timetable</li> <li>* VLE and other learning systems usage</li> <li>* Finance Records</li> </ul> <p><b>Person Responsible: David Swayne</b></p>



Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
						<p><b>To be implemented by: 30/05/2014</b></p> <hr/> <p>Restructure to bring central control environment for finance and student data management and reporting</p> <p><b>Person Responsible: Richard Flatman</b></p> <p><b>To be implemented by: 31/07/2015</b></p>
14	<p>Loss of NHS contract income</p> <p><b>Risk Owner: Judith Ellis</b></p> <p><b>Last Updated: 29/01/2014</b></p>	<p><b>Cause &amp; Effect:</b></p> <p>Cause: NHS financial challenges/ structural change is resulting in a total review of educational commissioning by London Shared Services and Health Education England with an overall 40% reduction in available funding. In addition potential problems with NHS deanery recruitment to community programmes. Failure to maintain student numbers on the contract resulting in clawback</p> <p>Effect: Reduction in income Reduced staff numbers Negative impact on reputation</p>	<p>3 2</p> <p><b>High</b></p>	<p>Named Customer Manager roles with NHS Trusts, CCGs and HEE.</p> <hr/> <p>Monitor quality of courses (CPM and NMC) annually in autumn (CPM) and winter (NMC)</p> <hr/> <p>Regular contact with commissioning contract managers and deanery</p>	<p>3 2</p> <p><b>High</b></p>	<p>Attend consultation events with CoD and HEE (review of NHS Pre-reg contract benchmark price / move to Outcome Based Commissioning could = drop in NHS income)</p> <p><b>Person Responsible: Judith Ellis</b></p> <p><b>To be implemented by: 25/04/2014</b></p> <hr/> <p>Ensure a quality campus in each HEE/ LETB area.</p> <p><b>Person Responsible: Warren Turner</b></p> <p><b>To be implemented by: 01/09/2014</b></p> <hr/> <p>Grow into new markets for medical and private sector CPPD provision</p> <p><b>Person Responsible: Warren Turner</b></p> <p><b>To be implemented by: 31/08/2014</b></p> <hr/> <p>Develop opportunities for further International 'in-country' activity.</p> <p><b>Person Responsible: Dr Michelle Spruce</b></p> <p><b>To be implemented by: 30/09/2014</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
						<p>Increase uptake in band 1-4 activity Support Trusts in seeking external (non NHS) funding</p> <p><b>Person Responsible: Sheelagh Mealing</b></p> <p><b>To be implemented by: 01/09/2014</b></p> <hr/> <p>Improve NSS participation &amp; scores</p> <p><b>Person Responsible: Judith Ellis</b></p> <p><b>To be implemented by: 31/07/2014</b></p>
37	Negative impact of estates strategy delivery on financial position	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Poor project controls</li> <li>- Lack of capacity to manage/deliver projects</li> <li>- Reduction in agreed/assumed capital funding</li> <li>- Reduction in other government funding</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Adverse financial impact</li> <li>- Reputational damage</li> <li>- Reduced surplus</li> <li>- Planned improvement to student experience not delivered</li> <li>- Inability to attract new students</li> </ul>	<p>3 3</p> <p><b>High</b></p>	<p>Regular Reports are provided to both P&amp;R and the Board on planned capital expenditure.</p> <hr/> <p>Full Business Case including clarity on cost and funding prepared for each element of Estates Strategy and approved by Board of Governors</p> <hr/> <p>Clear requirement (including authority levels) for all major (&gt;£1m) capital expenditure to have Board approval</p> <hr/> <p>Property Committee is a sub-committee of the Board of Governors and has a remit to review all property related capital decisions.</p> <hr/> <p>Automated process developed for business cases including all capital spend. Guidance developed as part of new process.</p>	<p>3 1</p> <p><b>Medium</b></p>	<p>Terraces Project completes Anchor Projects in current development plan. The potential acquisition of the Hugh Astor Court (Peabody Building) on Keyworth Street opens up the opportunity for the redevelopment of the North West quarter of the campus and the creation of a clear University 'front door'.</p> <p>Plans have been developed for a major redevelopment scheme that was shared with the Executive in July and with Governors in Autumn 2013. The plan will be developed and cross referenced with the Capex schedule of the Five year plan.</p> <p><b>Person Responsible: Ian Mehrrens</b></p> <p><b>To be implemented by: 30/11/2013</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
				<p>Capex reporting routines established and embedded into regularly updated financial forecasts &amp; management accounts and regular Board reports.</p> <hr/> <p>Clear project governance established for both the renovation of the Terraces and the Student Centre</p> <hr/> <p>Estates &amp; Facilities Dept project controls</p>		<p>Complete and report on the final negotiations for the Student Centre. Update: the 12 month defects liability period has past &amp; we're working through the final defect list. No progress on Final Account completion until works are done to ensure completion. POE by the end of Feb.</p> <p><b>Person Responsible: Ian Mehrtens</b> <b>To be implemented by: 30/04/2013</b></p>
305	<p>Student &amp; other data not used and maintained securely or appropriately</p> <p><b>Risk Owner: Ian Mehrtens</b></p> <p><b>Last Updated: 28/01/2014</b></p>	<p><b>Cause &amp; Effect:</b> Loss of student data security either en masse (e.g. address harvesting) or in specific cases (e.g. loss of sensitive personal files)</p>	<p>3 2 <b>High</b></p>	<p>Following a meeting on 16/11/12, David Swayne has taken responsibility for improving our control over data protection risks at an institutional level.</p>	<p>3 2 <b>High</b></p>	<p>Review course administration process around data entry and approval, to ensure appropriate levels of approval and monitoring of amendment.</p> <p><b>Person Responsible: Andrew Fisher</b> <b>To be implemented by: 27/06/2014</b></p> <hr/> <p>Define an Information Security solution for LSBU and implement it. LSBU has no Information Security Manager - the post was removed some time ago. To rectify this situation a Managed Security Service is being procured.</p> <p><b>Person Responsible: David Swayne</b> <b>To be implemented by: 20/12/2013</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
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1. Define Mobile Device Policy - this is agreed and published  
 2. Prepare and deliver a training course on this topic - this is in progress in collaboration between ICT and OSDT  
 3. Ensure that all mobile devices have adequate protection - laptop encryption tool being selected, mobile device management tool purchased and being deployed  
**Person Responsible: David Swayne**  
**To be implemented by: 29/11/2013**

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
362	Poor staff engagement with University	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>•Bureaucracy involved in decision making at the University</li> <li>•No teamwork amongst departments at the University</li> <li>•Staff feeling that they do not receive relevant information directly linked to them and their jobs</li> <li>•Poor pay and reward packages</li> <li>•Poor diversity and inclusion practises</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>•Decreased customer (student) satisfaction</li> <li>•Overall University performance decreases</li> <li>•Low staff satisfaction results</li> <li>•Increased staff turnover</li> <li>•Quality of service delivered decreases</li> </ul>	3 3 <b>High</b>	<p>Departmental Business Planning process</p> <hr/> <p>Feedback page for staff to leave comments on staff Gateway</p> <hr/> <p>Scheduled Team meetings</p> <hr/> <p>Staff engagement survey</p> <hr/> <p>Regular Business review meetings</p>	3 2 <b>High</b>	<p>The Executive and SMG will develop and implement relevant action plans to address outcomes from the survey, having access to an interactive tool to aid the action planning process. Least positive survey areas will be addressed in the Organisational Development Strategy.</p> <p><b>Person Responsible: Mrs Vongai Nyahunzvi</b></p> <p><b>To be implemented by: 27/06/2014</b></p> <hr/> <p>Use restructure project as vehicle to drive active engagement of staff through consultation opportunities.</p> <p><b>Person Responsible: David Phoenix</b></p> <p><b>To be implemented by: 28/02/2014</b></p> <hr/> <p>Launch Behavioural Framework &amp; embed within HR processes and documents</p> <p><b>Person Responsible: Mike Molan</b></p> <p><b>To be implemented by: 30/04/2014</b></p> <hr/> <p>Oversee staff opportunity to contribute to development of Corporate Strategy for 2015-2020</p> <p><b>Person Responsible: David Phoenix</b></p> <p><b>To be implemented by: 30/05/2014</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
397	Effectiveness of delivery impaired as Institution goes through restructuring process  <b>Risk Owner: David Phoenix</b>  <b>Last Updated: 29/01/2014</b>	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b> The structural re-organisation of academic groupings from 4 faculties to 7 schools. The re-focusing of support departments into professional service clusters. - undertaken to underpin academic and business effectiveness.</p> <p><b>Effect:</b> Staff morale could be impacted negatively by process of change, and by perceived threats to job security, which impairs enthusiasm and contribution in role. In turn this can cause high performing staff to seek employment elsewhere, which can cause skills shortages and loss to the institutional knowledge base. Service levels - to staff and students - could be impacted negatively by teams trying to deliver business as usual whilst also going through the change process. Data reliability might be impaired if the translation process encounters issues such as limitations with the flexibility of existing software solutions, unforeseen time or money resource implications or error in the relocation process.</p>	3 3 <b>High</b>	<p>The Executive team are taking a Project Management Approach to the Change, bringing in a PM expert on Organisational change, and freeing up experts from within the organisation to act as a change team that reports directly into meetings of the Executive.</p> <hr/> <p>The Executive have developed a Communications Strategy to ensure significant consultation with internal and external stakeholders.</p> <hr/> <p>New Professional Service groupings will be created from existing business units to minimise impact on service delivery.</p>	3 2 <b>High</b>	<p>Appoint Project Manager experienced in Organisational Change to lead a team of internal staff freed from other duties to manage the change process and report regularly into the Executive team.</p> <p><b>Person Responsible: David Phoenix</b> <b>To be implemented by: 28/03/2014</b></p> <hr/> <p>The Executive team to deliver the full Communications plan for the restructuring process, through multiple channels, and showing how feedback has been considered in the process, to mitigate perceived uncertainty and to provide a coherent vision and strategy that staff can align themselves with.</p> <p><b>Person Responsible: Beverley Jullien</b> <b>To be implemented by: 28/03/2014</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
398	<p>Academic programmes do not remain engaged with technological and pedagogic developments which support students and promote progression and achievement</p> <p><b>Risk Owner: Phil Cardew</b></p> <p><b>Last Updated: 29/01/2014</b></p>	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b> LSBU does not effectively exploit the learning potential of new technologies. Curriculum do not adapt sufficiently to give students the knowledge and skills valued by employers Support mechanisms do not provide some students with the learning support they need to navigate and succeed in the learning environment.</p> <p><b>Effect:</b> Retention does not meet the targets within the 5 year forecast. Employability of LSBU graduates does not improve. Market appeal of courses is impaired</p>	<p>2 3 <b>Medium</b></p>	<p>Delivery of the Teaching Enhanced Learning Strategy (TEL) through Academic Board and related committees.</p>	<p>2 2 <b>Medium</b></p>	<p>Implement 'Exceptional Student Experience' aspect of the IBM Investment programme to deliver a step change in the institutional use of personal in year data to drive communications to students concerning their academic performance.</p> <p><b>Person Responsible: David Swayne</b></p> <p><b>To be implemented by: 31/07/2015</b></p> <hr/> <p>Oversee delivery of BUILT change Programme to switch to Moodle VLE (Virtual Learning Environment) for all students</p> <p><b>Person Responsible: Phil Cardew</b></p> <p><b>To be implemented by: 01/08/2014</b></p>

	PAPER NO: AC.05(14)	
Board/Committee:	Audit Committee	
Date:	6 February 2013	
Paper title:	Internal Audit Progress Report	
Author:	PricewaterhouseCoopers, Internal Auditors	
Executive sponsor:	Richard Flatman, Chief Finance Officer	
Recommendation by the Executive:	The Executive recommends that the Audit Committee note the attached report.	
Aspect of the Corporate Plan to which this will help deliver?	<ul style="list-style-type: none"> <li>• Creating an environment in which excellence can thrive.</li> </ul>	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – who should be made aware of the decision?	n/a	

### **Executive summary**

The attached internal audit progress report shows a summary of all activity undertaken by PWC since the November Audit Committee.

The report summarises the findings of the reports into student module data and the HESA finance return as well as the Continuous Audit report for Quarter 1. It also follows up recommendations from previous reports falling due in this period, and note good progress towards implementation of actions from past reports.

The Executive recommends that the Audit Committee note the attached report.

**Attachment:** Progress Report



# London South Bank University

## Internal Audit Progress Report 2013/2014

**Progress Report to  
Audit Committee**

February 2014

# Overview

## Progress Summary

This report presents a high level summary of the audit activity that has taken place in 2013/14 since our last progress report to the November 2013 Audit Committee. A detailed timeline of audit activity for the year is set out at Appendix 1.

## Reports presented at the February 2014 Audit Committee

### Student Module Data (High Risk)

The Higher Education Statistics Agency (HESA) is the official Government agency for the collection, analysis and dissemination of quantitative information about higher education in the UK. London South Bank University (LSBU) has a statutory duty to pass certain personal data on current and former students to HESA. The purpose of this review was to assess the control design and operating effectiveness of controls surrounding data quality of module registration data.

LSBU asked us to look at current year data, eleven months in advance of submission to HESA to ensure that any issues which may impact the student experience are identified and resolved before HESA submission. Our findings are reflective of this.

We identified two *high risk* issues:

- There is no requirement to retain supporting evidence for amendments made to module data. Three faculties tested (AHS, Business and ESBE) do not keep any documentation to support changes; and one faculty (HSC) only keeps notes summarising the changes required – the supporting information is not retained. Across all four faculties, no evidence is retained to support action taken to resolve mismatches or students with no modules. Monthly exception reports are produced and circulated to faculties and course administrators for investigation. There is no requirement to confirm action taken against these exceptions. Lack of evidence to support actions could mean there is an incomplete audit trail for work performed. This could leave LSBU exposed if it is unable to prove why a certain action has been taken (or not taken).

The associated risks are heightened given the system access issues also identified. The Applications Support and Maintenance Team Leader identified that client administrators are delegated 'edit access' which allows them to process changes to student modules. Once 'edit access' is granted there is no further independent review of changes that have been made. Lack of independent review of changes to data could mean unauthorised amendments are not identified.

- We tested a sample of 40 students (across AHS, ESBE, Business and HSC) who had no modules attached to their records. 14/40 students tested were incorrectly classified as having no modules (six AHS students, one ESBE student and seven HSC students). We also tested a sample of 40 data mismatches; five exceptions were noted from this test.

One *medium risk* issue was noted: although management were able to provide us with a number of documents feeding into the data amendment and monitoring process, there is no overarching policy document outlining the minimum procedures to be followed when processing student module data. Our testing of faculties found that each faculty had its own unique protocol.

An *advisory* finding has also been raised regarding the format of exception reports.

### HESA Finance Return (Low Risk)

The HESA Finance Return/Financial Statistics Return (FSR) is the main source of historical financial information on the total activities of all UK higher education institutions (HEIs). This review assessed the control design and operating effectiveness of key controls in place for the compilation of the 2013 FSR. This data is largely driven by the audited financial statements and for the purposes of this review we have focused on the 2013 return, which is based on the audited financial statements for the year ended 31 July 2013.

The FSR is being compiled in line with HESA guidance and we were able to agree all tested balances to the financial statements, working papers and general ledger. Where we identified discrepancies these were corrected during the audit. We identified two low risk issues:

- Table 5b requires all income from Research Grants and Contracts to be allocated across academic departments by the source of funds. The FSR has 13 different categories for sources of funds; Agresso only has eight different categories. Management have confirmed that these categories will be added when income of this nature is received; and































- Although the FSR is authorised by the Vice Chancellor prior to final submission in January, there is no independent review of the return to confirm the accuracy of data submitted prior to submission in December. The Financial Controller has agreed to review the FSR prior to submission in the future. It is also recognised that the built-in validation checks on the FSR give some comfort over the accuracy, completeness and validity of data.

We raised one advisory finding surrounding the classification of some line items. The treatment applied is consistent with HESA guidance, so does not present a risk to the University, but could help improve the accuracy of the FSR. For example:

- LSBU do not allocate depreciation across departments. It is possible to do this, as depreciation is allocated to different academic cost centres within Agresso; and
- LSBU currently classify all capital expenditure within 'Other Operations'. It is possible to classify some capital expenditure within other categories, for example, capital expenditure relating to the Enterprise Centre and the Student Centre could be classified within the 'Residences and Catering Operations' category.

### Continuous Auditing (Q1 2013/14; August – October 2013)

There has been a slight decline in performance this quarter. This is due to an increase in the number of individual issues noted across each of the systems.

System / Rating	2013/14 Internal Audit Programme		2012/13 Internal Audit Programme		Trend
	Q1 2013/14	Q4 2012/13	Q3 2012/13	Q2 2012/13	
Payroll	 <b>Amber</b>	 Green	 Amber	 Amber	
Accounts payable	 <b>Green</b>	 Green	 Green	 Amber	
Accounts receivable	 <b>Amber</b>	 Green	 Green	 Amber	
Cash	 <b>Green</b>	 Green	 Green	 Green	
General Ledger	 <b>Amber</b>	 Green	 Amber	 Amber	
Student financial data	 <b>Green</b>	 Green	 Green	 Green	

### Findings of our follow up work

- We have undertaken follow up work on the recommendations on the 4Action system with a target date for action of 31/12/2013 or sooner. We have discussed with management the progress made in implementing recommendations falling due in this period. Where the recommendations had a priority of low, we have accepted management's assurances of their implementation; otherwise, we have sought evidence to support their response.
- A total of eight recommendations have been followed up this quarter. Of these five (63%) have been fully implemented. The remaining recommendations relate to our review of IT Controls and Phishing. Progress has been made in these areas and it has been agreed that a revised implementation deadline is appropriate.
- Our detailed findings in respect of each recommendation considered this quarter are included in Appendix 2.

### Other matters

- Our third phase of Continuous Auditing is due to commence in February 2014. This phase will test Q2 controls (November 2013 – January 2014). We will bring this report to the next Audit Committee.
- We have begun scoping our reviews of the Quality of Management Information and Risk Management follow up and we have been asked to perform an additional piece of work on the implementation of the new Payroll system. We plan to bring these reports to the next Audit Committee.

### Recommendations

- That the Committee **notes** the progress made against our 2013/14 Internal Audit Operational Plan.
- That the Committee **comments** on our reports of Student Module Data, HESA Finance Return and Continuous Auditing – Q1.

## Appendix 1 - Progress against the 2013/14 operational plan

Included below is a summary of the current progress against the reviews in our 2013/14 operational plan. For each review, the days per the plan are shown, together with the actual days spent to date (shown in brackets).

Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
<b>Quarter 1: August 2013 – October 2013</b>											
<b>Continuous Auditing of Key Financial Systems (May 2013 to July 2013)</b>											
12 (12)	02/08/2013	12/08/2013	23/08/2013	11/09/2013	N/A	-	-	-	-	-	-
<b>Extenuating Circumstances, Academic Appeals &amp; other processes that could result in a student complaint to the OIA</b>											
16 (16)	13/08/2013	19/08/2013	22/09/2013	17/10/2013	N/A	5	-	-	-	-	-
<b>Student Module Data</b>											
5 (5)	30/09/2013	11/11/2013	15/11/2013	16/01/2014	High Risk	4	-	2	1	-	1
<b>Quarter 2: November 2013 – January 2014</b>											
<b>HESA Finance Return</b>											
10 (10)	21/11/2013	02/12/2013	06/12/2013	08/01/2014	Low Risk	3	-	-	-	2	1
<b>Continuous Auditing of Key Financial Systems (August 2013 to October 2013)</b>											
10 (10)	01/11/2013	04/11/2013	21/01/2014	23/01/2014	N/A	-	-	-	-	-	-
<b>Disaster Recovery and Business Continuity</b>											
10 (9)	15/11/2013	19/11/2013	23/01/2014	TBC	TBC	-	-	-	-	-	-
<b>Quarter 3: February 2014 – April 2014</b>											
<b>Continuous Auditing of Key Financial Systems (November 2013 – January 2014)</b>											
10					TBC	-	-	-	-	-	-
<b>Quality of Management Information – deferred from quarter 1</b>											
10					TBC	-	-	-	-	-	-
<b>Quarter 4: May 2014 – July 2014</b>											
<b>Continuous Auditing of Key Financial Systems (February 2014 – April 2014)</b>											
10					TBC	-	-	-	-	-	-
<b>Value for Money</b>											
5					TBC	-	-	-	-	-	-
<b>Risk Management Follow Up</b>											
5					TBC	-	-	-	-	-	-
<b>Other</b>											
15 (8)	Planning, contract management, reporting, value for money and Follow up										
<b>Total</b>	<b>118 (70)</b>										

## Appendix 2 - Results of Follow Up of Recommendations

Summary of finding and agreed action	Progress	Risk Rating	Status
<b>1. Lack of contingency planning – TRAC 2012/13</b>			
<p>Our review identified that knowledge surrounding the compilation of the TRAC return was restricted to a limited number of staff. Although procedure notes outlined how to compile the return, no-one else has been trained to perform these functions.</p> <p>Management confirmed that limited resource and changes in staffing meant that knowledge surrounding the compilation of the return is restricted to a few key staff members.</p> <p>Management agreed to consider whether training can be given to other staff members to ensure there is a pool of knowledge and whether activities can be delegated to support the timely completion of the TRAC return.</p> <p>Management confirmed that they have procedure notes which are updated on an annual basis. These include links to relevant websites for technical guidance and are stored in a public location. This helps to mitigate against the risk of knowledge gaps.</p>	<p>The process has been reviewed with the Financial Planning Manager. A document has been produced that includes links to relevant documents within the HEFCE website.</p> <p>The model is built using Excel and is available in a public area accessible by all Financial Planning team members.</p> <p>Documentation is filed in the 'TRAC General' folder. Each year a new folder is created for the latest iteration of the model containing a dynamically linked set of spreadsheets that link to the source working files.</p> <p>The chain of command for signing off the document begins with the Financial Planning manager who designed the model and is able to review the model on a line by line basis. This is followed by the Director of Finance. The return was also reviewed with a member of the Audit Committee in December and January.</p> <p>The timetable for the production of the return has been moved forward two weeks, with draft versions issued by the 2nd week of January, facilitation an early sign off before the 31st January sign off deadline.</p>	Low	Implemented
<b>2. Inadequate review arrangements – TRAC 2012/13</b>			
<p>The JCPSG Statement of Requirements states that reasonableness tests should be performed. These need to be reviewed by the TRAC Manager, Finance Director, TRAC Steering Group and an institutional Committee. We identified that there was no TRAC Steering Group; and due to personal commitments the return could not be reviewed by the Finance Director. In his absence the return was reviewed by the Financial Planning Manager.</p> <p>It was agreed with management that although there had historically been a dedicated TRAC Steering Group, this had not been in place in the last few years. The equivalent members of this group were contacted as part of the review process but it was agreed that this needed to be formalised and would be put in place in time for the next return in December 2013. It was agreed that LSBU would formalise a scheme of delegation which outlines who can authorise returns should a member of staff be unavailable during the normal review period and ensure there is an appropriate chain of command</p>	<p>A formal scheme of delegation has been confirmed. The return is reviewed by the Financial Planning manager, Director of Finance and member of the Audit Committee.</p> <p>The next meeting of the TRAC steering group is in March 2014.</p>	Medium	Implemented
<b>3. Monitoring of capital expenditure – Financial Forecasting 2012/13</b>			
<p>Capital is monitored on a quarterly basis as part of meetings which are attended by the Executive Director of Finance, Head of Financial Planning and Reporting, Reporting Business Support Manager and Business Support Manager. Our testing identified that the capital report did not provide an overview of all the capital expenditure for the quarter and only includes financial</p>	<p>Capital reports are now integral to the Monthly Management Account pack that is distributed to the Executive Team on a Monthly basis.</p> <p>The report includes both ICT and Estates spend. The department has a member of staff who monitors Capital spend on an ongoing basis and ensures that there is a cogent capital budget as part of the budgeting and planning</p>	High	Implemented

information on Estates and Facilities. There was no monitoring of capital expenditure relating to ICT (which has the second highest capital spend) or other capital projects.

Although this report was discussed within Finance, there was no formal communication channel to discuss this with the Executive team.

We also identified that the Q2 capital report was not produced due to staff sickness and limited resources.

It was agreed that a set of procedure notes would be written to ensure that there is clear structure, timeline and reporting channel in relation to capital expenditure and that this would be shared with the individuals involved in the process. The capital report would be updated to include all the financial performance including Estates and Facilities, ICT and other capital projects by the end of this financial year. The quarterly report will be produced as expected.

process. The ICT Business Support Manager has increased their working days and the line management of these two individuals has been integrated to ensure that the University has a single view of Estates and ICT spend from both a capital and revenue perspective.

#### 4. Coding of research expenditure – Financial Forecasting 2012/13

Research organisers complete research expenditure forms which are submitted to BSMs when project funding has been agreed with sponsors. These are used to create initial Budgets for research expenditure. The expenditure categories used on research expenditure forms are not aligned to management account expenditure categories. This means initial research projects are usually allocated to the 'miscellaneous' category and have to be re-forecasted as the actual expenditure is posted onto Agresso.

It was agreed that a new research expenditure form would be design where the expenditure categories will be comparable with the management accounts.

The research expenditure forms has been redesigned to ensure that the expenditure categories used on research expenditure forms are aligned to management account expenditure categories.

**Low** Implemented

#### 5. Lack of procedure notes – Financial Forecasting 2012/13

There are no formal procedure notes outlining how management accounts and financial forecasts should be compiled.

It was agreed that procedure notes would be formalised.

The BSM manual has been updated but this will continue to be updated to ensure it is in line with good practice. This is a live document which will be updated on an ongoing basis.

**Medium** Implemented

#### 6. User Administration – IT Controls and Phishing 2012/13

We identified the following issues:

- There is no formalised process or management approval / authorisation for the definition of new administrators for Phonebook. This is applicable to the definition of new Facility administrators and new super users;
- There is no formalised process to request the addition of a new user to Phonebook, including the retention of auditable evidence.
- 22 of 30 leaver accounts tested remained active within Active Directory.

We agreed that the following action would be taken:

- To close this action it is necessary to replace CAMS with a new solution which is being procured from IBM. Contract negotiations are underway.
- As above.
- A monthly reconciliation process is operational to ensure that any accounts that should have been terminated are dealt with. This has been in place since October 2013.

In addition, we have implemented online training to educate staff to help them identify "phishing" emails has been made available to

**High** In progress  
We will revisit this at the next Audit Committee.

- a) The use of the Phonebook system as the 'golden record' for staff will be examined along with replacing the CAMS system. A propriety identity management solution will be procured that includes approval processes for user accounts and audit trails for changes.
- b) See (a) – Phonebook should not be the trigger system for ICT accounts.
- c) A review of user accounts will be undertaken against staff leavers. People that have left will be removed from the system
- all staff and the ability to block access to any sites referenced in "phishing" emails for the purpose of collecting user data has been created and tested.

**7. Logical Security - IT Controls and Phishing 2012/13**

<p>We agreed the following:</p> <p>a) A logical security policy will be written and implemented. LSBU is currently tendering to appoint a Managed Security Service provider and they will be consulted to ensure that an appropriate policy is put in place.</p> <p>b) Following agreement of the Security Policy, the password strength and maximum age will be adjusted. Steps have already been taken to prevent users from re-using their old password immediately.</p> <p>c) Security logs will be exported to an external server as part of the Managed Security Service and this will also include a forensic element to follow-up on incidents.</p> <p>d) The use of privileged account passwords that don't expire will be examined and expiration dates set. The "Install" account will be stopped from being used.</p>	<p>a) The Managed Security Service (MSS) contract has been placed with Data Integration / Xchanging.</p> <p>b) The Security Policy has not been agreed. Following agreement of the Security Policy, the password strength and maximum age will be adjusted. Steps have already been taken to prevent users from re-using their old password immediately.</p> <p>c) The MSS is now fully operational.</p> <p>d) The usage of the "Install" privileged account password has been stopped.</p>	<p><b>High</b></p>	<p>In progress</p> <p>We will revisit this at the next Audit Committee</p>
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**8. Physical security – IT Controls and Phishing 2012/13**

<p>We agreed the following:</p> <p>a) ICT will work with LSBU Security to agree an 'owner' for each restricted space and the access control list associated with the space. The owner will work with Security to implement a process to approve the addition of individuals to the list and these will be reviewed on a quarterly basis.</p> <p>b) The individuals that have access to the server rooms will be reviewed and access restricted to those that need to be able to enter the rooms as a part of their work.</p> <p>c) The locks used on network rooms will be reviewed to ensure that they have the capability to lock automatically so that they cannot be left unlocked.</p> <p>d) A call has been logged with Estates and Facilities to repair the lock.</p> <p>e) ICT will discuss the use of id-cards associated with authorised users being used to control access to network closets in addition to the server rooms.</p>	<p>ICT have agreed an owner for each space and ensured that access has been restricted.</p>	<p><b>High</b></p>	<p>Implemented</p>
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DRAFT

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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 01 August 2013. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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# London South Bank University

	PAPER NO: AC.06(14)	
Board/Committee:	Audit Committee	
Date:	6 February 2013	
Paper title:	Internal Audit Report: Continuous Auditing Q1 13/14	
Author:	PricewaterhouseCoopers, Internal Auditors	
Executive sponsor:	Richard Flatman, Chief Finance Officer	
Recommendation by the Executive:	The Executive recommends that the Audit Committee note the attached report.	
Aspect of the Corporate Plan to which this will help deliver?	Creating an environment in which excellence can thrive.	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – who should be made aware of the decision?	n/a	

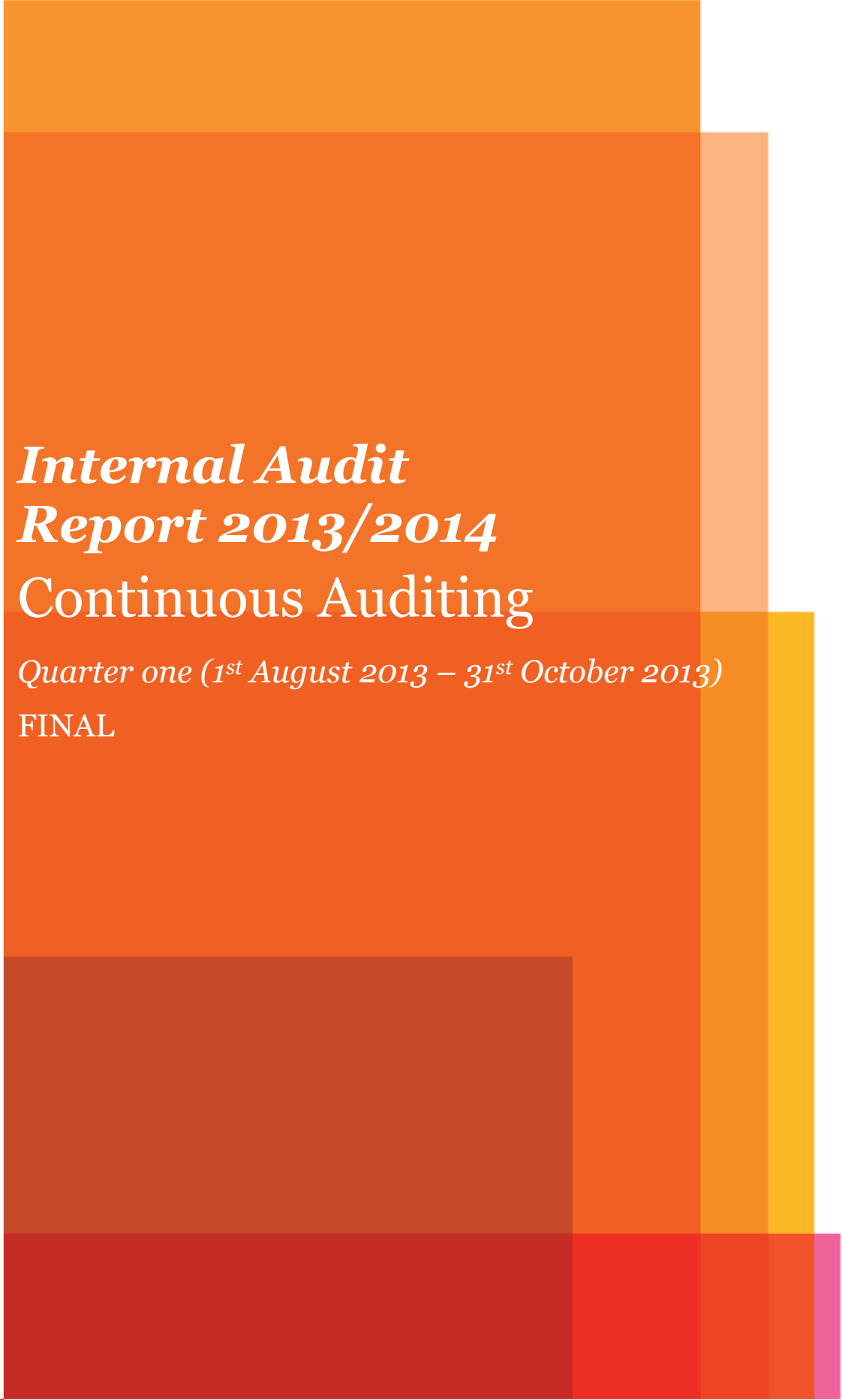
## Executive summary

The attached audit report for 'Continuous Auditing Q1 13/14' was undertaken as part of the internal audit programme for 2013/14.

The review has identified a slight decline in performance this quarter. This is due to an increase in the number of individual issues noted across each of the systems, with Payroll, Accounts receivable & general ledger being rated as amber for quarter 1. Detailed findings are provided in section 2.

The Executive recommends that the Audit Committee note the attached report.

**Attachment:** tbc



*Internal Audit  
Report 2013/2014  
Continuous Auditing*

*Quarter one (1<sup>st</sup> August 2013 – 31<sup>st</sup> October 2013)*

FINAL

January 2014

London South Bank  
University

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## Distribution List

For action:	Natalie Ferer (Financial Controller)
For information:	Richard Flatman, Director of Finance
	John Baker, Corporate & Business Planning Manager
	Audit Committee

This report has been prepared by PwC in accordance with our contract dated 01/08/2013.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Financial Memorandum. 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.

# 1. Executive summary

## Background and approach:

Effective financial controls are essential to ensure that funds are used efficiently and effectively and that the reporting and forecasting of management information is complete and accurate. In recognition of this, our internal audit programme includes a rolling programme of audit work which focuses upon the design and operation of the organisation's core financial controls. The systems included within the scope of our work in 2013/14 are:

- Payroll;
- Accounts Payable;
- Accounts Receivable;
- Cash;
- General Ledger; and
- Student Financial Data.































In developing our work programme for 2013/14, we met with management to refresh our understanding of London South Bank University's controls to ensure that our work remained targeted to the key risks facing the institution. The controls included within the scope of our work are set out within our Terms of Reference included at Appendix Two.

Our detailed findings are set out in Section Two of this report; a summary of our findings and the matters arising in the course of our work this quarter is set out below.

## System summaries

Our summary below is determined with reference to the extent or monetary impact of the exceptions we identified in the course of our work (our rating criteria are set out at Appendix One).

Note: our ratings are based on the number and severity of findings noted for controls tested as part of the programme. This does not consider control design issues – these are individually risk rated.

System / Rating	2013/14 Internal Audit Programme		2012/13 Internal Audit Programme		Trend
	Q1 2013/14	Q4 2012/13	Q3 2012/13	Q2 2012/13	
Payroll	 <b>Amber</b>	 Green	 Amber	 Amber	
Accounts payable	 <b>Green</b>	 Green	 Green	 Amber	
Accounts receivable	 <b>Amber</b>	 Green	 Green	 Amber	
Cash	 <b>Green</b>	 Green	 Green	 Green	
General Ledger	 <b>Amber</b>	 Green	 Amber	 Amber	
Student Financial Data	 <b>Green</b>	 Green	 Green	 Green	

## ***Findings and recommendations***

There has been a slight decline in performance this quarter. This is due to an increase in the number of individual issues noted across each of the systems. The key issues arising are summarised below:

### ***Payroll***

- We tested a sample of 20 starters to ensure that an authorised and accurate new starter form had been received prior to an individual being entered on to the Payroll system. In four instances, Human Resources had not supplied information to Payroll on a timely basis. This meant these employees were not included on the first available payment run meaning they were not paid until November (their start date was September 2013).
- We tested a sample of 20 leavers to ensure that leaver forms had been received from Human Resources. There was one instance where the leave date recorded on the leaver form did not agree to the date on the Payroll system. We have confirmed that the final salary calculations were performed correctly and that the employee was not overpaid as a result of the difference.
- For one of the 20 leavers tested, Human Resources (HR) did not supply information to payroll to remove the leaver from the system. The individual was classified as leaving London South Bank University in August 2013 but had not actually been paid since February 2013. We have confirmed that this error did not result in an overpayment being made.
- During testing of a sample of 25 overtime and timesheet submissions we identified one instance where an employee had been underpaid. This was because the authorised timesheet stated the individual should be paid at 1.5 times hourly rate; this was incorrect and the individual should have been paid at double time rate. This was not identified by the departmental line manager who authorised the timesheet or the Payroll team when checking the submission. This resulted in an underpayment of approximately £6.
- The timely receipt of starter and leaver information is recurring issue across our continuous auditing programme. To help mitigate the risk of over or underpayment we recommend that management introduce a monitoring control to ensure that Payroll figures are accurate and complete. London South Bank University have confirmed that going forward they will introduce a control to ensure that HR sends a monthly list of starters and leavers to Payroll and this is checked and confirmed as accurate by Payroll prior to processing the payment run.

### ***Accounts payable***

- No operating effectiveness issues were noted.
- We have raised one control design recommendation regarding supplier amendments. There is no segregation of duties in place which results in one individual receiving notification from the supplier, contacting the supplier to confirm the change is legitimate and then subsequently changing the supplier standing data on the system. This could mean that fraudulent changes to supplier standing data, such as bank details, are not identified. There is also no detective control in place to identify such issues.

### ***Accounts receivable***

- We tested a sample of reconciliations between the debtors balance on the General Ledger system and QLX to confirm that these had been performed and reviewed on a timely basis. Neither of these were dated at the time of audit fieldwork so we could not confirm the timeliness of review.
- We also tested a sample of reconciliations between the General Ledger system and debtors control account. Our testing identified that the August reconciliation was not reviewed until November 2013. This is not deemed to be timely. The September reconciliation was not dated when reviewed so we are unable to confirm the timeliness of the process. If reconciliations are not performed and reviewed promptly (i.e. within one month of the month being reconciled) there is a risk that errors are not noted, which could make it more difficult to resolve later in the year.
- We identified that one credit note had been approved inappropriately. The credit note had a value of £111,002.00 and had been authorised by an individual with an approval limit of £50,000. This credit note was raised because an invoice had been allocated to an incorrect account. Management have confirmed that the authorised signatory form only covered expenditure and that there are no limits to authorisation of sales invoices or sales credit notes in the Financial Regulations. London South Bank University have now amended the authorised signatory form to ensure this includes limits for approval of sales invoices and will update the Financial Regulations to reflect this requirement.

*Cash*

- Reconciling items on the bank reconciliation between the bank statement and the General Ledger should be investigated and resolved on a monthly basis and where they are significantly old. During testing of the August and September reconciliations, we identified that there was one item which has been reconciling for eight months. This item has now been posted and cleared from the bank reconciliation.

*General Ledger*







- Supporting documentation could not be provided for three of the 20 J5 journals tested. We have discussed this with management and they have agreed that from 01/11/2013 all supporting documentation should be attached to the General Ledger system (Agresso). Going forward audit testing will be against this new procedure.

*Student Financial Data*

- We are pleased to note that no exceptions have been noted this period. Please note this work does not include any testing of student module data which has been tested as part of a separate review.

## 2. Detailed findings

### Payroll

	Key control	Exceptions (Current quarter)	Details on exceptions (Where applicable)	Exceptions (Q4 2012/13)	Exceptions (Q3 2012/13)	Exceptions (Q2 2012/13)
P1	Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.		<p>Four of the 20 starter forms tested were received late from HR. This resulted in the employees missing the first available payment run as the payroll team had not been given sufficient notice.</p> <p><b>Responsibility for action:</b> Joanne Monk, Human Resources</p> <p><b>Management response:</b> The four exceptions noted were all passed from the Faculty to HR late, resulting in them not being passed to the Payroll team in time for the next Payroll. HR will continue to remind faculties of the importance of passing starter information to the HR team by the published cut-off date.</p>			
P2	Leaver forms are received from HR upon notification of resignation or redundancy.		<p>One of the 20 leaver forms tested had a different leave date to that recorded on the Payroll system.</p> <p><b>Responsibility for action:</b> Felicity Clarke, Payroll Team Leader Joanne Monk, Human Resources</p> <p><b>Management response:</b> The leaver form had been misfiled and therefore was not processed. The employee concerned was paid on timesheets and has not been overpaid. The Payroll will be checked against a monthly list of leavers to ensure that leaver information is processed correctly.</p>			
P3	The BACS run is reviewed by the Financial Controller and a					

Payment Release Form completed.					
P4	Exception reports are reviewed on a monthly basis.	●	●	●	●
P5	Variation forms, with supporting documentation, are received prior to any changes being made to standing data.	●	●	●	●
P6	Access to the Payroll system is restricted to appropriate personnel.	●	●	●	●
P7	Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	●	●	●	●
	<p>One of 25 employees tested was paid at 1.5 time's hourly pay but this should have been at twice the hourly pay rate. The Payroll team followed the instructions on the authorised form but this error should have been identified when checking the form.</p> <p><b>Responsibility for action:</b> Departmental line managers Felicity Clarke, Payroll Team Leader</p> <p><b>Management response:</b> Staff processing overtime claims should check if the claims are in line with the overtime policy for the relevant contract type and alert the authoriser if they think overtime is being claimed at the incorrect rate. We will remind staff of the requirement to do this.</p>				
P8	Monthly reconciliations are performed between the General Ledger and the Payroll system. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.	●	●	●	●
P9	Expenses are supported by appropriately authorised claim forms.	●	●	●	●



*Finding*

The timely receipt of starter and leaver information is recurring issue across our continuous auditing programme. To help mitigate the risk of over or underpayment we recommend that HR provide a monthly list of starters and leavers and this is checked by Payroll before it is finalised for payment.

*Risk*

Information concerning starters and leavers is not supplied on a timely basis meaning the payroll is incorrect. This could lead to over payments or underpayments.

*Action plan**Finding rating**Agreed action**Responsible person / title***Medium Risk**

A monthly list of starters and leavers will be produced by HR and checked by Payroll before the payroll is finalised.

Natalie Ferer, Financial Controller  
Tony Page, HR IT Systems Manager

*Target date:*

30/04/2014

*Reference number:* M1

## Accounts Payable

	<b>Key control</b>	<b>Exceptions</b> <i>(Current quarter)</i>	<b>Details on exceptions</b> <i>(Where applicable)</i>	<b>Exceptions</b> <i>(Q4 2012/13)</i>	<b>Exceptions</b> <i>(Q3 2012/13)</i>	<b>Exceptions</b> <i>(Q2 2012/13)</i>
AP1	Authorised documentation must be received prior to the creating a new or amending a supplier record.	●		●	●	●
AP2	Invoices are approved for payment by an appropriately authorised individual.	●		●	●	●
AP3	Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.	●		●	●	●
AP4	BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	●		●	●	●
AP5	Exception reports are generated to identify duplicate suppliers. Actions are taken to resolve any errors noted.		The key control preventing duplicate suppliers relates to segregation of duties in creating a new supplier: a 'new supplier form' must be completed for all new suppliers and this is completed by the requisitioner, authorised by the budget holder and entered onto the accounts payable system by a member of procurement. This level of segregation of duties is deemed to be an appropriate mechanism helping to prevent a duplicate supplier being entered either through manual error or for fraudulent purposes. We have tested this process as part of testing for AP1; no exceptions were noted.			
AP6	Daily reconciliations are performed between the general ledger and the creditors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.	●		●	●	●

*Finding*

Amendments to supplier standing data are processed by one individual within the Procurement team. The notification from the supplier, confirmation of the change by London South Bank University and subsequent change to system standing data, is performed by one individual with no segregation of duties.

*Risk*

Lack of segregation of duties increases the risk of fraud or error.  
Unauthorised or inappropriate amendments may be made to supplier standing data which are not noticed.

*Action plan**Finding rating**Agreed action**Responsible person / title***Medium Risk**

A folder to capture scanned copies of all supplier change requests has been created and we have amended the workflow to ensure segregation of duties. All changes to supplier details are now recorded and this will then be reviewed and approved by one of the Category Managers.

Rob Ager, Head of Procurement (Interim)









*Target date:*

Within immediate effect

*Reference number:* M2

## Accounts Receivable

	Key control	Exceptions (Current quarter)	Details on exceptions (Where applicable)	Exceptions (Q4 2012/13)	Exceptions (Q3 2012/13)	Exceptions (Q2 2012/13)
AR1	Credit checks are performed on new customer accounts upon request, prior to the issue of sales invoices.	●		●	●	●
AR2	Invoices are only raised upon receipt of an authorised request form which includes an order requisition reference.	●	*Please see note at the foot of this table	●	●	●
AR3	Reminder letters are sent to corporate debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	●		●	●	●
AR4	Reminder letters are sent to individuals in respect of overdue fees on a monthly basis in line with policy.	●		●	●	●
AR5	Debts are written off only following review and authorisation.	●		●	●	N/A
AR6	Monthly reconciliations are performed between the debtors balance on the General Ledger and QLX.	●	<p>Neither the August or September reconciliations were dated when reviewed, so we are unable to confirm the timeliness of review.</p> <p><b>Responsibility for action:</b> Natalie Ferer, Financial Controller</p> <p><b>Management response:</b> Reconciliations will be performed on a timely basis and will be dated in future.</p>	●	●	●

AR7	Monthly reconciliations are performed between the debtors balance per QLX to QLS.					
AR8	Monthly reconciliations are performed between the General Ledger and the debtors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.		<p>August reconciliation was not reviewed until November and the September reconciliation was not dated on review so unable to confirm whether this was timely.</p> <p><b>Responsibility for action:</b> Natalie Ferer, Financial Controller</p> <p><b>Management response:</b> In future reconciliations will be reviewed within a few days of the month end as part of the monthly process in the Financial Accounting team.</p>			

\* The transaction listing provided for AR2 sampling included invoices and credit note requests. A credit note was initially selected within our testing sample. This was subsequently replaced for an invoice. When we reviewed the credit note, we noted the credit note had a value of £111,002.00 but had been authorised by an individual with an approval limit of £50,000. This credit note was raised because an invoice had been allocated to an incorrect account. Management have confirmed that the authorised signatory form only covered expenditure and that there are no limits to authorisation of sales invoices or sales credit notes in the Financial Regulations. London South Bank University have now amended the authorised signatory form to ensure this includes limits for approval of sales invoices and will update the Financial Regulations to reflect this requirement.

## Cash

	Key control	Exceptions (Current quarter)	Details on exceptions (Where applicable)	Exceptions (Q4 2012/13)	Exceptions (Q3 2012/13)	Exceptions (Q2 2012/13)
C1	Cash takings in respect of tuition fees and student residences as recorded on QLX are reconciled to cash balances held on a daily basis and discrepancies investigated.	●		●	●	●
C2	Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	●		●	●	●
C3	Cash receipts per the general ledger are reconciled to QLX on a monthly basis. Cash receipts per the general ledger are reconciled to KX on a monthly basis.	●		●	●	●
C4	Cash receipting responsibility within the QLX system is restricted to appropriate individuals. Cash receipting within the KS system are restricted to appropriate individuals.	●		●	●	●
C5	Reconciliations are performed on a monthly basis between Agresso and the Bank Statement. These are performed by Treasury Team and reviewed on a timely basis (by the Financial Accountant), with supporting documentation and reconciling items are investigated on a timely basis.	●	<p>We identified one item over eight months old which had not been fully investigated and there was no action plan in place for clearing.</p> <p><b>Responsibility for action:</b> Natalie Ferer, Financial Controller</p> <p><b>Management response:</b> This item has now been posted and cleared as part of the November bank reconciliation.</p>	●	●	●

**General Ledger**

Key control	Exceptions <i>(Current quarter)</i>	Details on exceptions <i>(Where applicable)</i>	Exceptions <i>(Q4 2012/13)</i>	Exceptions <i>(Q3 2012/13)</i>	Exceptions <i>(Q2 2012/13)</i>
GL1 Journals must be authorised, with supporting documentation, prior to being posted on the system.	●	Supporting documentation could not be provided for three of the 20 J5 journals tested. <b>Responsibility for action:</b> Natalie Ferer, Financial Controller <b>Management response:</b> At the time of the Quarter 1 audit staff absence meant that some supporting documentation could not be located. A new procedure for journal descriptions and the supporting documentation was put in place effective from 01/11/2013.	●	N/A	N/A
GL2 On a monthly basis management accounts are prepared and significant variances against budget are investigated.	●		●	●	●
GL3 Suspense accounts and balance sheet control accounts are cleared or reconciled on a quarterly basis.	●		●	N/A	N/A
GL4 Access to the general ledger is restricted.	●		●	●	N/A
GL5 No single individual has access to make changes to both the QLX and QLS systems.	●		●	●	●

*Finding*

Supporting documentation could not be provided for all journal entries tested. Good practice would be to maintain copies of this documentation on the Agresso system, so that journal authorisers can make an informed decision to approve based on the nature of the transaction, minimising the risk of misstatement due to error or fraud.

*Risk*

Inappropriate journal postings are made but are not identified during the journal authorisation process.

*Action plan**Finding rating**Agreed action**Responsible person / title***Low Risk**

Policy will state that from 01/11/2013, supporting documentation for journal will be attached to the Agresso system.

Natalie Ferer, Financial Controller

*Target date:*

01/11/2013

*Reference number:* GL1



## Student Financial Data

	<b>Key control</b>	<b>Exceptions (Current quarter)</b>	<b>Details on exceptions (Where applicable)</b>	<b>Exceptions (Q4 2012/13)</b>	<b>Exceptions (Q3 2012/13)</b>	<b>Exceptions (Q2 2012/13)</b>
S1	Enrolment or re-enrolment paperwork has been completed for each new and re-enrolled student prior to the creation of records within QLS.	●		●	●	●
S2	Course changes are only actioned on QLS after completion of the Course Changes Log.	●		●	●	●
S3	Faculty Managers are notified of updates to QLS records and check to confirm these are accurate and appropriate.	●		●	●	N/A
S4	Access rights within QLX are restricted to appropriate personnel.	●		●	●	●

# Appendix 1. Assessment Criteria

## System summary ratings

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

Rating	Assessment rationale
<p>●</p> <b>Red</b>	<p>A high proportion of exceptions identified across a number of the control activities included within the scope of our work; or</p> <p>Control failures which, individually or in aggregate, have resulted in the significant misstatement of the University's financial records.</p>
<p>●</p> <b>Amber</b>	<p>Some exceptions identified in the course of our work, but these are limited to either a single control or a small number of controls; or</p> <p>Control failures which, individually or in aggregate, have resulted in the misstatement of the organisations financial records, but this misstatement is not significant to the University</p>
<p>●</p> <b>Green</b>	<p>Limited exceptions identified in the course of our work</p> <p>Control failures which, individually or in aggregate, do not appear to have resulted in the misstatement of the organisations financial records.</p>

## Control design improvement classifications

The finding ratings in respect of any control design improvements identified in the course of our work are determined with reference to the following criteria.

Rating	Assessment rationale
<p>●</p> <b>Critical</b>	<p><b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</p> <p><b>Critical</b> monetary or financial statement impact of £5m; or</p> <p><b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</p> <p><b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.</p>
<p>●</p> <b>High</b>	<p><b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</p> <p><b>Significant</b> monetary or financial statement impact of £2m; or</p> <p><b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</p> <p><b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavorable national media coverage.</p>
<p>●</p> <b>Medium</b>	<p><b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</p> <p><b>Moderate</b> monetary or financial statement impact of £1m; or</p> <p><b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</p> <p><b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavorable media coverage.</p>
<p>●</p> <b>Low</b>	<p><b>Minor</b> impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</p> <p><b>Minor</b> monetary or financial statement impact £500k; or</p> <p><b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</p> <p><b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavorable media coverage restricted to the local press.</p>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

## Appendix 2. Terms of Reference

### Terms of reference – Continuous Auditing 2013/14

**To:** Richard Flatman (Director of Finance)  
**From:** Justin Martin (Head of Internal Audit)

This review is being undertaken as part of the 2013/2014 Internal Audit plan approved by the Audit Committee.

#### Background

The purpose of our Continuous Audit programme is to test key controls on an on-going basis to assess whether they are operating effectively and to flag areas and/or report transactions that appear to circumvent controls. Testing is undertaken four times a year (covering three month periods) and provides the following benefits:

- It provides management with an assessment of the operation of key controls on a regular basis throughout the year;
- Control weaknesses can be addressed during the year rather than after the year end; and
- The administrative burden on management will be reduced when compared with a full system review, in areas where there is sufficient evidence that key controls are operating effectively.

We have outlined the specific controls we will be testing within Appendix 1. These have been identified through our annual audit planning process and meetings with management to update our understanding of the control framework in place. We will continue to refresh this knowledge throughout the year to ensure we focus upon the key risks facing the University. Where the control environment changes in the financial year or we agree with management to revise our approach to reflect revised processes or previous recommendations, we will update Appendix 1 and re-issue our Terms of Reference these changes.

We will report upon the operating effectiveness of controls on a quarterly basis to provide regular and timely insight to management and Audit Committee members.

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

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

**x** = area of primary focus

x = possible area of secondary focus

## Scope

During 2013/14, we will continue to review the operating effectiveness of key controls in place during the period 1 May 2013 to 30 April 2014 as detailed in the Approach section below.

The financial processes, related key control objectives and key risks within the scope of our work are detailed below.

<b>Financial process</b>	<b>Key control objectives</b>	<b>Key risks</b>
Payroll and staff expenses	<p>Accurate payments are made to valid employees of the organisation.</p> <p>Accurate payments are made in respect of valid expenses claims.</p>	<p>Fictitious employees are established on the payroll and/or employees are established on the payroll incorrectly (e.g. incorrect pay scale).</p> <p>Payments are made in error to employees who have left the organisation and / or inaccurate final salary payments are made.</p> <p>Overtime or other timesheet based records are inaccurate leading to salary over / under payments.</p> <p>Invalid changes are made to employee salary and bank details leading to incorrect salary payments being made.</p> <p>Information transferred from the payroll system to the main accounting system is not complete and accurate.</p> <p>Expenses are incurred and reimbursed that are not allowable.</p>
Accounts payable	<p>Expenditure commitments are made with prior budgetary approval.</p> <p>Payments are made only following the satisfactory receipt of goods or services.</p> <p>Payments are made only to valid suppliers.</p>	<p>Payments are made for goods and services which have not been ordered, received or are inadequate.</p> <p>Invalid suppliers or supplier standing data is maintained leading to inaccurate or fraudulent payments.</p> <p>Information transferred from the accounts payable system to the main accounting system is not complete and accurate.</p> <p>Amounts due to suppliers for goods and services are overpaid.</p>
Accounts receivable	<p>Fee income is collected on a timely basis.</p> <p>Goods or services are delivered only to credit worthy customers.</p> <p>Debts due are collected promptly.</p>	<p>Inaccurate or incomplete records of student debts may mean income is not collected on a timely basis.</p> <p>Agreements are entered in to with customers prior to the performance of credit checks or credit limits are exceeded. This may mean debts are not recoverable.</p> <p>Overdue debtor balances are not identified and balances are not actively chased to ensure timely collection of debts and maximisation of income.</p> <p>Information transferred from the accounts receivable system to the main accounting system is not complete and accurate.</p>
Cash	<p>Cash ledger balances are accurate and complete.</p> <p>Cash is not lost or misappropriated.</p>	<p>Information transferred from the cash receipting systems to the main accounting system is not complete and accurate.</p> <p>Discrepancies between the ledger and till or float records are not promptly identified and investigated. This could mean cash balances are incomplete and / or inaccurate.</p>

General Ledger	Ledger balances are valid and accurate.	<p>Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made.</p> <p>Suspense accounts and balance sheet control accounts are not cleared on a timely basis.</p> <p>Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information.</p>
Student Systems	Accurate records of students and their activity are maintained.	<p>Student details and fees payable as recorded upon enrolment are not correct. This could mean income owed to the University is not maximised.</p> <p>Course changes or withdrawals are not identified on a timely basis this could affect fee income owed to the University.</p> <p>Invalid changes are made to student accounts which could compromise the validity, accuracy and completeness of student records.</p>

### *Limitations of scope*

The following limitations of scope are in place:

- Our work is not intended to provide assurance over the effectiveness of all the controls operated by management over these financial systems; the focus of our work will be limited to those controls which are deemed by management to be most significant to the system under consideration; and
- Our work will not consider the organisations IT security framework and associated controls in place.

### *Audit approach*

To provide London South Bank University with regular and timely insight into the operating effectiveness of their controls, we will undertake our testing on a quarterly basis, covering the following periods during 2013/14.

- Quarter Four 2012/13
- Quarter One 2013/14
- Quarter Two 2013/14
- Quarter Three 2013/14

The controls which will be considered in the course of our testing, mapped to the key risks identified above, have been set out at Appendix 1.

*Internal audit team*

<b>Name</b>	<b>Title</b>	<b>Contact details</b>
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Senior Manager	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com
Charlotte Bilsland	Audit Manager	07715 484 670 charlotte.bilsland@uk.pwc.com
Nicholas White	Continuous Auditing Manager	07803 456 050 nicholas.j.white@uk.pwc.com
Dan Barton	Continuous Auditing Team Lead	daniel.j.barton@uk.pwc.com
Emily Wright	Continuous Auditing Team Lead	emily.l.wright@uk.pwc.com
Harley Crossman	Continuous Auditing Technician	harley.crossman@uk.pwc.com

*Key contacts*

<b>Name</b>	<b>Title</b>
Richard Flatman	Executive Director of Finance (Audit Sponsor)
Natalie Ferer	Financial Controller
Joanne Monk	Deputy Director of Human Resources
Jenny Laws	Deputy Registrar (Student Management Information Team Leader)
Ravi Mistry	Financial Systems Manager
Ralph Sanders	Financial Planning Manager
Brian Wiltshire	Treasury Manager
Penny Green	Head of Procurement
Julian Rigby	Income Manager
Ravi Mistry	Financial Systems Manager
Nicolas Waring	Cash Office Manager
Denise Sullivan	Payroll Manager
Felicity Clarke	Payroll Team Leader
Andrew Ratajczak	Manager; Fees, Bursaries and Central Enrolment

## *Timetable*

As set out in the approach section above, we will undertake our work on a quarterly basis.

	<b><u>Quarter Four</u></b> <b><u>2012/13</u></b>	<b><u>Quarter One</u></b> <b><u>2013/14</u></b>	<b><u>Quarter Two</u></b> <b><u>2013/14</u></b>	<b><u>Quarter Three</u></b> <b><u>2013/14</u></b>
Fieldwork start	12/08/2013	04/11/2013	03/02/2014	07/04/2014
Fieldwork completed	23/08/2013	15/11/2013	14/02/2014	16/05/2014 (Top-Up)
Draft report to client	06/09/2013	29/11/2013	28/02/2014	23/05/2014
Response from client	20/09/2013	13/12/2013	14/03/2014	30/05/2014
Final report to client	27/09/2013	20/12/2013	21/03/2014	06/06/2014

Agreed timescales are subject to the following assumptions:

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

# Key controls schedule

Based upon our understanding of the financial systems in place at London South Bank University and in discussion with management, we have agreed that the operating effectiveness of the following controls will be considered. These have been mapped to the key risks identified as in scope above.

## Payroll

Key contacts: Denise Sullivan, Felicity Clarke and Joanne Monk

Key risk	Key control	Reference
Fictitious employees are established on the payroll and/or employees are established on the payroll incorrectly (e.g. incorrect pay scale)	Authorised and accurate new starter forms are received prior to an individual being entered on to the payroll system.	P1
Payments are made in error to employees who have left the organisation and / or inaccurate final salary payments are made	Leaver forms are received from Human Resources upon notification of resignation or redundancy.	P2
	The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.	P3
	Exception reports are reviewed on a monthly basis.	P4
Invalid changes are made to employee salary and bank details leading to incorrect salary payments being made	Variation forms, with supporting documentation, are received prior to any changes being made to standing data.	P5
	Access to the payroll system is restricted to appropriate personnel.	P6
Overtime or other timesheet based records are inaccurate leading to salary over / under payments	Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	P7
Information transferred from the payroll system to the main accounting system is not complete and accurate	Monthly reconciliations are performed between the general ledger and the payroll system. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.	P8
Expenses are incurred and reimbursed that are not allowable	Expenses are supported by appropriately authorised claim forms.	P9



*Accounts Payable*

Key contacts: Penny Green (AP1) and Maureen Stanislaus (AP2 – AP6)

<b>Key risk</b>	<b>Key control</b>	<b>Reference</b>
Invalid suppliers or supplier standing data is maintained leading to inaccurate or fraudulent payments	Authorised documentation must be received prior to the creating a new or amending a supplier record.	AP1
Payments are made for goods and services which have not been ordered, received or are inadequate.  Invoices payments are not appropriately reviewed and authorised prior to payment	Invoices are approved for payment by an appropriately authorised individual.	AP2
	Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.	AP3
	BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	AP4
Amounts due to suppliers for goods and services are over paid	Exception reports are generated produced to identify duplicate suppliers and payments. Actions are taken to resolve any errors noted.	AP5
Information transferred from the accounts payable system to the main accounting system is not complete and accurate	Daily reconciliations are performed between the general ledger and the creditors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.	AP6

*Accounts receivable*

Key contacts: Natalie Ferer and Julian Rigby

<b>Key risk</b>	<b>Key control</b>	<b>Reference</b>
Agreements are entered into with customers prior to the performance of credit checks or credit limits are exceeded. This may mean debts are not recoverable.	Credit checks are performed on new customer accounts upon request, prior to the issue of sales invoices.	AR1
Overdue debtor balances are not identified and balances are not actively chased to ensure timely collection of debts and maximisation of income	Invoices are only raised upon receipt of an authorised request form which includes an order requisition reference.	AR2
	Reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	AR3
	Reminder letters are sent in respect of overdue fees on a monthly basis in line with policy.	AR4
	Debts are written off following appropriate review and authorisation.	AR5

Inaccurate or incomplete records of student debts may mean income is not collected on a timely basis	Monthly reconciliations are performed between the debtors balance on the general ledger and QLX.	AR6
	Monthly reconciliations are performed between the debtors balance per QLX to QLS.	AR7
Information transferred from the accounts receivable system to the main accounting system is not complete and accurate	Monthly reconciliations are performed between the General Ledger and the debtors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.	AR8

### Cash

Key contacts: Nicholas Waring (C1-4) and Brian Wiltshire (C5)

Key risk	Key control	Reference
Information transferred from the cash receipting systems to the main accounting system is not complete and accurate	Cash takings in respect of tuition fees and student residences as recorded on QLX and KX are reconciled to cash balances held on a daily basis and discrepancies investigated.	C1
Discrepancies between the ledger and till or float records are not promptly identified and investigated. This could mean cash balances are incomplete and / or inaccurate	Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	C2
	Cash receipts per Agresso are reconciled to QLX and KX on a monthly basis.	C3
	Cash receipting responsibility within the QLX system and KX system is restricted to appropriate individuals.	C4
	Reconciliations are performed on a monthly basis between Agresso and the Bank Statement. These are performed by Treasury Team and reviewed on a timely basis (by the Financial Accountant), with supporting documentation and reconciling items are investigated on a timely basis.	C5

### General Ledger

Key contacts: *Detailed below*

Key risk	Key control	Reference
Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made	Journals must be authorised, with supporting documentation, prior to being posted on the system.  <b>Key contact:</b> <i>Ephraim Maimbo</i>	GL1

	On a monthly basis management accounts are prepared and significant variances against budget are investigated.	GL2
	<b>Key contact:</b> <i>Ralph Sanders</i>	
Suspense accounts and balance sheet control accounts are not cleared on a timely basis	Suspense accounts and balance sheet control accounts are cleared or reconciled on a quarterly basis.	GL3
	<b>Key contact:</b> <i>Ephraim Maimbo</i>	
Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information	Access to the general ledger is restricted to appropriate personnel.	GL4
	<b>Key contact:</b> <i>Ravi Mistry</i>	
	No single individual has access to make changes to both the QLX and QLS systems.	GL5
	<b>Key contact:</b> <i>Ravi Mistry</i>	

### *Student Systems*

Key contact: Andrew Ratajczak

<b>Key risk</b>	<b>Key control</b>	<b>Reference</b>
Student details and fees payable as recorded upon enrolment are not correct. This could mean income owed to the University is not maximised	Enrolment or re-enrolment paperwork has been completed for each new and re-enrolled student prior to the creation of records within QLS.	S1
Course changes or withdrawals are not identified on a timely basis this could affect fee income owed to the University	Course changes are only actioned on QLS after completion of the Course Changes Log.	S2
	Faculty Managers are notified of updates to QLS records and check to confirm these are accurate and appropriate.	S3
Invalid changes are made to student accounts which could compromise the validity, accuracy and completeness of student records	Access rights within QLX are restricted to appropriate personnel.	S4

# ***Appendix 3. Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

We have undertaken the review of Continuous Auditing, subject to the limitations outlined below.

### ***Internal control***

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

### ***Future periods***

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

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

## ***Responsibilities of management and internal auditors***

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

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we 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.

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





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

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 01 August 2013. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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	PAPER NO: AC.07(14)	
Board/Committee:	Audit Committee	
Date:	6 February 2013	
Paper title:	Internal Audit Report: Student Module Data	
Author:	PricewaterhouseCoopers, Internal Auditors	
Executive sponsor:	Richard Flatman, Chief Finance Officer	
Recommendation by the Executive:	The Executive recommends that the Audit Committee note the attached report.	
Aspect of the Corporate Plan to which this will help deliver?	Creating an environment in which excellence can thrive.	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – who should be made aware of the decision?	n/a	

### **Executive summary**

The attached audit report for 'Student Module Data' was undertaken as part of the internal audit programme for 2013/14.

Noting that the report focus was current year data, eleven months in advance of submission to HESA, thus ensuring that any issues which may impact the student experience are identified and resolved well in advance of the HESA submission date, the report outcome was high risk, identifying two high risk issues, 1 medium & 1 advisory.

These mainly relate to issues around retaining evidence to support changes made to student module registrations.

The Executive recommends that the Audit Committee note the attached report.

**Attachment:** Student Module Data

*Internal Audit*  
*Report 2013/2014*  
Student Module Data  
FINAL

January 2014

London South Bank  
University



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## Distribution List

For action:	Andrew Fisher (Academic Registrar) Simon Houlding (Assistant Registrar - Planning) Clive Case (Student Information Coordinator) Nicola Hallas (Academic and Quality Faculty Manager – Arts and Human Sciences) Anisa Salim (Registry Manager – Health and Social Care) Jonathan Tanner (Head of Operations and Resources – Business) Jamie Jones (Academic Quality and Student Experience Manager – Engineering, Science and The Built Environment)
For information:	Richard Flatman (Director of Finance) John Baker (Corporate & Business Planning Manager) Audit Committee

This report has been prepared by PwC in accordance with our contract dated 01/08/2013.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Financial Memorandum. 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.

# 1. Executive summary

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
<b>High Risk</b> 	N/a – no prior year review performed in this area.	<b>Control design</b>	0	1	1	0	1
		<b>Operating effectiveness</b>	0	1	0	0	0
		<b>Total</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>

## Summary of findings

### Background

The Higher Education Statistics Agency (HESA) is the official Government agency for the collection, analysis and dissemination of quantitative information about higher education in the UK. London South Bank University (LSBU) has a statutory duty to pass certain personal data on current and former students to HESA.

LSBU implemented a project to ensure the accuracy and completeness of data held by LSBU informing HESA returns. This project completed in October 2013 and included the implementation of a number of new policy and procedures to improve data quality and ongoing independent verification of data to ensure its robustness.

The purpose of this review was to assess the control design and operating effectiveness of controls surrounding data quality of module registration data.

Please note that LSBU have asked us to look at current year data, eleven months in advance of submission to HESA to ensure that any issues which may impact the student experience are identified and resolved before HESA submission. Our findings are reflective of this.

### Audit Findings

We identified two *high risk* issues:

- There is no requirement to retain supporting evidence for amendments made to module data. Three faculties tested (AHS, Business and ESBE) do not keep any documentation to support changes; and one faculty (HSC) only keeps notes summarising the changes required – the supporting information is not retained. Across all four faculties, no evidence is retained to support action taken to resolve mismatches or students with no modules. Monthly exception reports are produced and circulated to faculties and course administrators for investigation. There is no requirement to confirm action taken against these exceptions. Lack of evidence to support actions could mean there is an incomplete audit trail for work performed. This could leave LSBU exposed if it is unable to prove why a certain action has been taken (or not taken).  
The associated risks are heightened given the system access issues also identified. The Applications Support and Maintenance Team Leader identified that client administrators are delegated 'edit access' which allows them to process changes to student modules. Once 'edit access' is granted there is no further independent review of changes that have been made. Lack of independent review of changes to data could mean unauthorised amendments are not identified. See **finding #2**.
- We tested a sample of 40 students (across AHS, ESBE, Business and HSC) who had no modules attached to their records. 14/40 students tested were incorrectly classified as having no modules (six AHS students, one ESBE student and seven HSC students). We also tested a sample of 40 data mismatches; five exceptions


were noted from this test. See **finding #3**.

One *medium risk* issue was noted: although management were able to provide us with a number of documents feeding into the data amendment and monitoring process, there is no overarching policy document outlining the minimum procedures to be followed when processing student module data. Our testing of faculties found that each faculty had its own unique protocol. See **finding #1**.

An *advisory* finding has also been raised regarding the format of exception reports. See **finding #4** for details.

## 2. Detailed current year findings

### 1. Policy and procedure notes – Control Design

<b>Finding</b>		
<p>We sampled four faculties (AHS, Business, ESBE and HSC) to confirm whether policies and procedure notes were in place for processing changes to student module registration data.</p> <p>Although management were able to provide us with a number of documents feeding into the data amendment and monitoring process, there is no overarching policy document outlining the minimum procedures to be followed by all faculties when processing student module data.</p> <p>Two of seven procedure documents provided had not been dated to indicate when they were last reviewed (The Crystal Reports Request Form within the Registry Handbook and the Administration of Student Records document within the Registry Handbook).</p>		
<b>Risks</b>		
<p>Lack of centralised procedure notes means inconsistent practices are being adopted by different faculties and departments. This could also mean inappropriate practices are adopted. This could lead to inaccurate, incomplete or invalid data, undermining the reliability of data submitted to HESA.</p> <p>Lack of version control means that staff may not use the most up-to-date policies or procedures. This could mean out-of-date protocols are followed. Lack of document dates, could also indicate that processes are not reviewed regularly. This could mean out-of-date procedures are followed.</p>		
<b>Action plan</b>		
<b>Finding Rating</b>	<b>Agreed Action</b>	<b>Responsible person / title</b>
<p><b>Medium Risk</b></p> 	<p>a) An overarching procedure for processing amendments to student data, module changes and monitoring of module data will be created. This will outline the minimum procedures to be followed by all faculties.</p> <p>b) The Crystal Report Request online form has not changed for a while however, it has been recently reviewed and is still version 1.0. There is an outstanding request to make some changes to this form, so we will update the form with a version number from now on and increment as appropriate for any subsequent updates to the form. The 'Administration of Student Records' document got updated in 11/12 where we removed the exact links in anticipation of an massive overhaul of crystal reports and the only links in the documents that remained are the ones to the handbook instead. There was no version control for this document in place at that time but we will we will update the form with a version number from now on and increment as appropriate for any subsequent updates to the form.</p>	<p>a) Andrew Fisher (Academic Registrar)</p> <p>b) Clive Case (Student Information Coordinator)</p>
		<b>Target date</b>
		30/04/2014
		<b>Reference number</b>
		1

## 2. Retention and review of documentation – Control Design

### *Finding*

There is no requirement to retain supporting evidence for amendments made to module data. Three faculties tested (AHS, Business and ESBE) do not keep any documentation to support changes. The HSC faculty highlight changes required on QLS by assigning the status of 'EVOID'; written correspondence is attached within the 'students notes' section of the student record but original correspondence to validate the change is not retained.

Across all four faculties, no evidence is retained to support action taken to resolve mismatches or students with no modules.

Monthly exception reports are produced which identify students whose credit values do not match their expected credit values and students with no modules attached to their student record. These are circulated to faculties and course administrators for investigation. There is no requirement to confirm action taken against these exceptions or document work performed.

The associated risks are heightened given the system access issues also identified. The Applications Support and Maintenance Team Leader identified that client administrators are delegated 'edit access' which allows them to process changes to student modules. Once 'edit access' is granted there is no further independent review of changes that have been made.

Additionally no analysis or reporting of module changes is performed.

### *Risks*

Lack of evidence to support actions could mean there is an incomplete audit trail for work performed. This could leave LSBU exposed if it is unable to prove why a certain action has been taken.

Lack of independent review of changes to data could mean unauthorised amendments are not identified

Course administrators could process inappropriate modular changes. This would undermine the reliability of data.

Lack of independent review and segregation of duties increases the risk of fraud and error.

### *Action plan*

#### *Finding Rating*

**High Risk**



#### *Agreed Action*

- a) Supporting documentation will be retained for all changes. As a minimum we will record changes made within the 'student notes' section of every student record to maintain an audit trail. This will reference supporting documentation for the change so that this evidence can be provided if required i.e. details of any e-mails, letters, phone calls; including dates and individuals involved.
- b) Spot checks will be performed to confirm that procedures are being complied with.
- c) We will require faculties and course administrators to confirm that changes have been made as highlighted by exception reports and document work performed
- d) We will produce a periodic report to highlight changes made in a given period and investigate these where appropriate.

#### *Responsible person / title*

Andrew Fisher (Academic Registrar)

#### *Target date*

- a) With immediate effect
- b) 30/04/2014
- c) 30/04/2014
- d) 30/04/2014

#### *Reference number*

2

### 3. Accuracy of module data – Operating Effectiveness

#### *Finding*

We tested a sample of 40 students, which was split across AHS, ESBE, Business and HSC, to confirm the accuracy of module data. Our findings are summarised below. Please note that in all instances these findings had been identified as a result of fieldwork performed, as such, relevant Faculties had not taken any actions to resolve these issues prior to the audit.

#### *Students with no modules attached*

##### **AHS Faculty**

Six exceptions noted:

- Three students are distance learning students; 60 additional units should have been attached to their records;
- Three students are undertaking a calendar year course; Faculty management have explained that the curriculum has been loaded on QLS incorrectly and does not reflect the two year duration of the course. This means these students had to be enrolled in 13/14 with no corresponding modules.

##### **ESBE Faculty**

One exception noted:

- One student tested is studying Urban Engineering. This is a new course for 13/14 and currently does not have any modules on QLS. This is under investigation by LSBU.

##### **HSC Faculty**

Seven exceptions noted:

- In five cases the curriculum has been identified as allegedly incorrect. Faculty management have stated that this information has been incorrectly loaded onto QLS and does not reflect the length of the course;
- One student is a new student to LSBU in 13/14 and is studying Allied Health Professions. Management were unable to explain why this student had no modules;
- One instance was identified where Faculty management believe the curriculum had been loaded inappropriately so there are no modules in QLS for this course.

#### *Student record mismatches*


##### **AHS Faculty:**

- Two students should have been assigned to holding modules. One of two mismatches was caused because the curriculum had been loaded onto the system incorrectly; the other mismatch was due to timing - the mandatory course modules for the student will not be declared to the Faculty until the Exam Board meets to decide upon modules. Faculty management have investigated these and established that these students should be registered with more credits;
- Two records have not been updated on a timely basis. For one record, the action to be taken was agreed on 15/10/2013 but no action had been taken at the time of audit fieldwork. For the other record, the action to be taken was decided in the July 2013 Exam Board meeting; it was determined that credits should have been added manually to the student's record but at the time of audit fieldwork this had not been undertaken.
- One instance was noted where a student requires a further 20 credits to be attached to their record. This discrepancy was not known by the Faculty until it was identified by internal audit as part of this review.


#### *Risks*

If the curriculum and duration of course is incorrect on QLS then module data will be incorrect. This undermines the reliability of data.

Management information monitoring module data will be inaccurate.

<i>Action plan</i>		
<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<p><b>High Risk</b></p> 	a) We will strengthen training of course administrators around identification and resolution of curriculum issues	Andrew Fisher (Academic Registrar)
	b) Internal Audit have sent around the exceptions noted, we will resolve these. We will establish if there are further errors.	<i>Target date</i>
	c) We will continue to generate reports highlighting these errors. As noted in finding #2, we will require faculties and course administrators to confirm that changes have been made and spot checks will be performed to confirm that procedures are being complied with.	a) 30/04/2014 b) 30/04/2014 c) 30/04/2014 d) 31/07/2014
	d) We will discontinue our policy of assigning holding modules to students whose modules cannot be confirmed until a later date. This practice currently means our data is inaccurate .	<i>Reference number</i>
		3

## 4. Exception reports – Control Design

<i>Finding</i>		
<p>Exception reports are run to identify potential module credit mis-matches for investigation (see finding #3 above). These reports currently pick up students who are PHD students and on secondments. These students are not 'true' credit mismatches as the mis-match is due to their course structure.</p> <p>This does not present a risk to LSBU as staff understand why these students are flagged as exceptions and can explain these but inclusion of these individuals does mean that the incidence rate may be over inflated and could create extra time for individuals investigating exceptions by having to investigate these students unnecessarily.</p>		
<i>Risks</i>		
<p>Management information is incorrect. Increased time for staff working through exceptions.</p>		
<i>Action plan</i>		
<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<p><b>Advisory</b></p> 	<p>We are undertaking a fundamental review of reporting to support module registration.</p>	<p>Andrew Fisher (Academic Registrar)</p>
		<i>Target date</i>
		31/07/2014
		<i>Reference number</i>
		4



# Appendix 1. Basis of our classifications





## A. Individual finding ratings

Finding rating	Points	Assessment rationale
<b>Critical</b>	40 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</li> <li>• <b>Critical</b> monetary or financial statement impact of £5m; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.</li> </ul>
<b>High</b>	10 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</li> <li>• <b>Significant</b> monetary or financial statement impact of £2m; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.</li> </ul>
<b>Medium</b>	3 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</li> <li>• <b>Moderate</b> monetary or financial statement impact of £1m; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.</li> </ul>
<b>Low</b>	1 point per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</li> <li>• <b>Minor</b> monetary or financial statement impact £500k; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.</li> </ul>
<b>Advisory</b>	0 points per finding	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Each individual finding is given points, based on the rating of the finding (Critical, High, Medium, Low or Advisory). The points from each finding are added together to give the overall report classification of Critical risk, High risk, Medium risk or Low risk, as shown in the table on the next page.

## *Report classifications*

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

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

# Appendix 2. Terms of Reference

## Terms of reference – Student Module Data

**To: Andrew Fisher – Academic Registrar**  
**From: Justin Martin – Head of Internal Audit**

This review is being undertaken as part of the 2013/2014 internal audit plan approved by the Audit Committee.

### Background

The Higher Education Statistics Agency (HESA) is the official Government agency for the collection, analysis and dissemination of quantitative information about higher education in the UK. Like other Higher Education Institutions (HEIs), London South Bank University (LSBU) has a statutory duty to pass certain personal data on current and former students to HESA.

LSBU have implemented a project to ensure the accuracy and completeness of data held by LSBU informing HESA returns. This project is due to complete at the end of October 2013 and has included the implementation of a number of new policy and procedures to improve data quality and ongoing independent verification of data to ensure its robustness.

The purpose of this review is to assess the control design and operating effectiveness of controls surrounding data quality of module registration data.

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

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
5			<b>x</b>	x	x

**x** = area of primary focus

x = possible area of secondary focus

### Scope

We will review the design and operating effectiveness of key controls in place relating to Student Data during the period 2013/14.

This review will consider the methods used to collect the data against the data quality assertions (completeness, accuracy, validity and restricted access). We will also reperform the calculations for a sample of administrative data sets.

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

Sub-process	Objectives
Policies and procedures	<ul style="list-style-type: none"> <li>A policy for the data quality of module registration data has been defined.</li> <li>Policy and procedure notes, including roles and responsibilities, have been circulated to staff.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>A framework is in place for monitoring data quality.</li> <li>There is an appropriate governance structure in place demonstrating management's commitment to data quality.</li> </ul>

Accuracy, timeliness and completeness of data	<ul style="list-style-type: none"> <li>• There is supporting documentation in place to validate module registration data.</li> <li>• Results are complete and accurate.</li> <li>• Module registration data and any subsequent changes are entered onto systems on a timely basis.</li> </ul>
System integrity	<ul style="list-style-type: none"> <li>• The system used to collate data is protected against unauthorised access/ processing and is secure against loss or damage of data.</li> </ul>

### **Limitations of scope**

The scope of our work will be limited to those areas outlined above.

Our testing will be restricted to the evaluation and testing of ‘module registration’ data. For the purpose of this audit, the term ‘module registration’ refers to data held regarding:

- Initial module choices selected by students;
- Module reassessment i.e. cases where students are required to retake one or more of the previous year’s modules; and
- Core module choices i.e. choices determined by the course and year of study for the student.

Our review will include an assessment of the overall control design of policies and procedures for recording and amending this data and testing of a sample of core modules, module choices and reassessments, to confirm that policies have been adhered to, that data has been uploaded on a timely basis, is complete, accurate and valid and appropriate system controls are in place to restrict unauthorised amendments to this data.

We will be testing 2013/14 module registration data and processes.

### **Audit approach**

Our audit approach is as follows:

- Obtain an understanding of the Student Data through discussions with key personnel and review of systems documentation;
- Identify the key risks surrounding Student Data;
- Evaluate the design of the controls in place to address the key risks
- Test the operating effectiveness of the key controls.

### **Internal audit team**

<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Engagement Manager	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com
Charlotte Bilsland	Audit Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Alex Galea	Team Leader	0207 213 2441 alexandra.l.galea@uk.pwc.com
Ellie McDougal	Auditor	0207 804 9777 eleanor.g.mcdougall@uk.pwc.com

### **Key contacts – London South Bank University**

<b>Name</b>	<b>Title</b>	<b>Contact details</b>	<b>Responsibilities</b>
Andrew Fisher	Academic Registrar (Audit Sponsor)	0207 815 7415 fishera7@lsbu.ac.uk	Review and approve terms of reference Review draft report Review and approve final report Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan
Richard Flatman	Executive Director of Finance	0207 815 6301 richard.flatman@lsbu.ac.uk	Receive draft and final terms of reference Review draft report Review and approve final report
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Receive final terms of reference Receive draft and final report

### **Timetable**

Fieldwork start	11/11/2013
Fieldwork completed	15/11/2013
Draft report to client	29/11/2013
Response from client	13/12/2013
Final report to client	20/12/2013

Agreed timescales are subject to the following assumptions:

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

# ***Appendix 3. Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

We have undertaken the review of Student Module Data subject to the limitations outlined below.

### ***Internal control***

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

### ***Future periods***

Our assessment of controls is for the period 2013/2014 only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

## ***Responsibilities of management and internal auditors***

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

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we 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.

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





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

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 01 August 2013. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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	PAPER NO: AC.08(14)	
Board/Committee:	Audit Committee	
Date:	6 February 2014	
Paper title:	Internal Audit Report: HESA Finance Return	
Author:	PricewaterhouseCoopers, Internal Auditors	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Recommendation by the Executive:	The Executive recommends that the Audit Committee note the attached report.	
Aspect of the Corporate Plan to which this will help deliver?	Creating an environment in which excellence can thrive.	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – who should be made aware of the decision?	n/a	

### **Executive summary**

The attached audit report into the ‘HESA Finance Return’ was undertaken as part of the internal audit programme for 2013/14.

The review has identified that the risk in this area is low, with some advisory recommendations and some minor issues that were corrected prior to submission.

The Executive recommends that the Audit Committee note the attached report.

**Attachment:** Internal Audit – HESA Finance Return

*Internal Audit  
Report 2013/2014*  
HESA Finance Return  
FINAL

January 2014

London South Bank  
University

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## Distribution List

For action:	Natalie Ferer (Financial Controller) Ephraim Maimbo (Financial Accountant)
For information:	Richard Flatman (Director of Finance) John Baker (Corporate & Business Planning Manager) Audit Committee

This report has been prepared by PwC in accordance with our contract dated 01/08/2013.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Financial Memorandum. 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.

# 1. Executive summary

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
Low Risk 	N/a – no prior year review performed in this area.						
		<b>Control design</b>	0	0	0	1	1
		<b>Operating effectiveness</b>	0	0	0	1	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>

## Summary of findings

### Background

This review has assessed the control design and operating effectiveness of key controls in place for the compilation of the 2013 HESA Finance Return / Finance Statistics Return (FSR). The annual FSR is the main source of historical financial information on the total activities of all UK higher education institutions (HEIs).

The data supplied within the return is required for the following reasons:

1. To assist in the production of management information.
2. To assist in the monitoring of the financial health of institutions.
3. To support policy formulation and decisions.
4. To support proper reporting and accountability.
5. To inform and report on the funding process.
6. To advise the Office for National Statistics on the overseas earnings of HEIs for use in the calculation of the Balance of Payments.

This data is largely driven by the audited financial statements and for the purposes of this review we have focused on the 2013 return, which is based on the audited financial statements for the year ended 31 July 2013.

### Audit Findings

Our key findings, against each of the areas covered in our terms of Reference (Appendix 2) are outlined below:

Objective	Work Performed and Key Findings
1. Processes for the production of the HESA return are formally documented and understood by staff involved in its preparation.	Policies and procedure notes are available on the HESA website. Staff involved with the compilation of the return understand and comply with HESA procedures as outlined on the HESA website. <b>Conclusion</b> No issues noted.
2. Data submitted reconciles to the underlying financial records of the University.	We agreed a sample of figures recorded in the FSR return to supporting working papers (the financial statements, working papers and the general ledger (Agresso)). <b>Conclusion</b> No issues noted.
3. Data submitted is	We understood the process followed to classify information in the return.

<p>classified in line with HESA guidance.</p>	<p>This is largely performed through use of Agresso codes which are mapped to HESA coding.</p> <p><b>Conclusion</b></p> <p>We identified one <i>low risk</i> finding, see <b>finding #1:</b></p> <p><i>Table 5b</i></p> <ul style="list-style-type: none"> <li>Table 5b requires all income from Research Grants and Contracts to be allocated across academic departments by the source of funds. The FSR has 13 different categories for sources of funds; Agresso only has eight different categories.</li> </ul> <p>We have identified the following <i>advisory</i> points, see <b>finding #2:</b></p> <p><i>Table 7</i></p> <p><u>Classification of catering costs</u></p> <ul style="list-style-type: none"> <li>Table 7 summarises LSBU expenditure by activity (academic area and type of spend). We identified that cost centres relating to London Food Centre and the Engineering, Science and Built Environment had been allocated to Business and Management Studies within the return. LSBU agreed these were incorrectly classified within the return. The FSR has now been updated.</li> </ul> <p><u>Depreciation</u></p> <ul style="list-style-type: none"> <li>Table 7 also summarises depreciation. HESA guidance stipulates that it is permissible - though not mandatory - for central depreciation expenses to be allocated to individual academic departments. LSBU currently do not allocate depreciation to departments. It is possible to do this, as depreciation is allocated to different academic cost centres within Agresso.</li> </ul> <p><i>Table 8</i></p> <p><u>Capital Expenditure</u></p> <ul style="list-style-type: none"> <li>Table 8 requires capital expenditure to be allocated between 'Residences and Catering Operations' and 'Other Operations'. LSBU currently classify all capital expenditure within 'Other Operations'. We reviewed the annual report for LSBU to identify the major capital projects undertaken during the year and identified two large building projects: the LSBU Enterprise Centre and the Student Centre. We confirmed with Ephraim Maimbo that these accounted for the majority of capital expenditure during the period. Both of these buildings include catering facilities for the users of the buildings meaning a portion of the expenditure incurred on these projects could be classified within the 'Residences and Catering Operations' category. Our review of the fixed asset register additions also identified the purchase of a 'Costa Coffee Machine' which could also be classified within 'Residences and Catering Operations'.</li> </ul>
<p>4. Processes are in place to assess the reasonableness of the outputs prior to submission</p>	<p>We discussed how information contained within the return is checked prior to submission and where possible validated procedures identified through sample testing.</p> <p><b>Conclusion</b></p> <p>The final submission in January is authorised by the Vice Chancellor however there is no independent review of the return prior to its initial submission in December. We have classified this as low risk, see <b>finding #3.</b></p>

## 2. Detailed current year findings

### 1. Different HESA and Agresso cost centres – Control Design

#### *Finding*

Table 5b requires all income from Research Grants and Contracts to be allocated across academic departments by the source of funds.

The table has 13 different categories for sources of funds but Agresso only has eight available categories to allocate income.

LSBU has confirmed that there are only eight categories because they only expect to receive income in these areas and that it would be possible to create further categories if required.

Our sample testing did not identify any income where it was felt the source classification was inappropriate but there is a risk that this could occur due to how the system is set up.

#### *Risks*

As LSBU only use eight categories for income, there is risk that some unexpected income may not be allocated appropriately. This is heightened where category descriptions are broad e.g. 'EU Other'.

#### *Action plan*

#### *Finding Rating*

**Low Risk**



#### *Agreed Action*

We will ensure that these codes are created as and when income of this nature is received.

#### *Responsible person / title*

Ephraim Maimbo, Financial Accountant

#### *Target date*

31/12/2014

#### *Reference number*

1

## 2. Classification of expenditure – Operating Effectiveness

### Finding

We understood the process followed to classify information in the return. This is largely performed through use of Agresso codes which are mapped to HESA codes. Our work identified the following:

#### Table 7

##### Classification of catering costs

- Table 7 summarises LSBU expenditure by activity (academic area and type of spend). We identified that cost centres relating to London Food Centre and the Engineering, Science and Built Environment had been allocated to Business and Management Studies within the FSR.

LSBU agreed these were incorrectly classified within the FSR. The FSR has now been updated.

##### Depreciation

- Table 7 also summarises depreciation. HESA guidance stipulates that it is permissible - though not mandatory - for central depreciation expenses to be allocated to individual academic departments. LSBU currently do not allocate depreciation to departments. It is possible to do this, as depreciation is allocated to different academic cost centres within Agresso.

#### Table 8

##### Capital Expenditure

- Table 8 requires capital expenditure to be allocated between 'Residences and Catering Operations' and 'Other Operations'. LSBU currently classify all capital expenditure within 'Other Operations'.

We reviewed the annual report for LSBU to identify the major capital projects undertaken during the year and identified two large building projects: the LSBU Enterprise Centre and the Student Centre. We confirmed with Ephraim Maimbo that these accounted for the majority of capital expenditure during the period. Both of these buildings include catering facilities for the users of the buildings meaning a portion of the expenditure incurred on these projects could be classified within the 'Residences and Catering Operations' category.

Our review of the fixed asset register additions also identified the purchase of a 'Costa Coffee Machine' which could also be classified within 'Residences and Catering Operations'.

### Risks

Data may be classified incorrectly meaning that the return does not give an accurate picture of income and expenditure.

Incorrect classifications could mean the return does not pass validation checks performed by HESA. This could create extra work load for staff to correct issues identified.

### Action plan

#### Finding Rating

#### Agreed Action

#### Responsible person / title

**Advisory**



a) Classification of catering costs

The return has been updated.

b) Depreciation

We will consider classifying expenditure in this way for the 2014 return.

c) Capital Expenditure

We will consider whether it is appropriate to reallocate this expenditure for the 2013 return,

Ephraim Maimbo, Financial Accountant

#### Target date

a) With immediate effect

b) 31/11/2014

c) 31/12/2013

#### Reference number

2

### 3. Review of FSR prior to submission - Control Design

#### *Finding*

The FSR is prepared by the Financial Accountant. Although the final submission in January must be authorised by the Vice Chancellor, there is no independent review of the return to confirm the accuracy of data submitted prior to submission in December.

From our understanding of the processes in place, the built-in validation checks on the FSR give some comfort over the validity of data however there are no other controls in place to ensure potential mistakes identified and rectified prior to submission.

This would also provide some comfort to LSBU that there are appropriate contingency arrangements should the Financial Accountant be unable to complete the return,

#### *Risks*

Lack of independent review could mean any inaccuracies are not identified.

Lack of contingency planning could leave knowledge gaps. This could mean the return is completed inaccurately and/or inaccuracies are not identified by reviewers.

The return may not be submitted on time if a key staff member is absent and unable to perform review responsibilities.

#### *Action plan*

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<b>Low Risk</b> 	We will ensure that the 2014 return is independently reviewed by the Financial Controller ahead of submission in December 2014.	Ephraim Maimbo, Financial Accountant
		<i>Target date</i>
		31/12/2014
		<i>Reference number</i>
		3

**Low Risk**



We will ensure that the 2014 return is independently reviewed by the Financial Controller ahead of submission in December 2014.

Ephraim Maimbo, Financial Accountant

*Target date*

31/12/2014

*Reference number*

3



# Appendix 1. Basis of our classifications





## A. Individual finding ratings

Finding rating	Points	Assessment rationale
<b>Critical</b>	40 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</li> <li>• <b>Critical</b> monetary or financial statement impact of £5m; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.</li> </ul>
<b>High</b>	10 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</li> <li>• <b>Significant</b> monetary or financial statement impact of £2m; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.</li> </ul>
<b>Medium</b>	3 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</li> <li>• <b>Moderate</b> monetary or financial statement impact of £1m; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.</li> </ul>
<b>Low</b>	1 point per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</li> <li>• <b>Minor</b> monetary or financial statement impact £500k; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.</li> </ul>
<b>Advisory</b>	0 points per finding	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Each individual finding is given points, based on the rating of the finding (Critical, High, Medium, Low or Advisory). The points from each finding are added together to give the overall report classification of Critical risk, High risk, Medium risk or Low risk, as shown in the table on the next page.

## *Report classifications*

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

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

# Appendix 2. Terms of Reference

## Terms of reference – HESA Finance Return

**To: Natalie Ferer – Financial Controller**  
**From: Justin Martin – Head of Internal Audit**

This review is being undertaken as part of the 2013/2014 internal audit plan approved by the Audit Committee.

### Background

The HEFCE Accountability and Audit Code of Practice includes new guidance on assurances sought from designated officers and Audit Committees around the management and quality assurance arrangements for data submitted to the Higher Education Statistics Agency (HESA), HEFCE, and other funding bodies. The Audit Committee’s annual report must include an opinion on the adequacy and effectiveness of arrangements for the management and quality assurance of these data submissions.

This review considers the HESA Finance Return / Finance Statistics Return (FSR). The annual FSR is the main source of historical financial information on the total activities of all UK higher education institutions (HEIs).

The data supplied within the return are required for the following reasons:

7. To assist in the production of management information.
8. To assist in the monitoring of the financial health of institutions.
9. To support policy formulation and decisions.
10. To support proper reporting and accountability.
11. To inform and report on the funding process.
12. To advise the Office for National Statistics on the overseas earnings of HEIs for use in the calculation of the Balance of Payments.

This data is largely driven by the audited financial statements and for the purposes of this review will focus on the 2013 return, which is based on the 31st July 2013 financial results.

The purpose of this review is to assess the control design and operating effectiveness of key controls in place for the compilation of the 2013 HESA Finance return. We believe our review will touch upon the following areas as part of our annual report to Audit Committee:

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

10	X		X		
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**X** = area of primary focus

**X** = possible area of secondary focus

### Scope

We will review the design and operating effectiveness of key controls in place relating to the HESA Finance Return during the period 2013/14.

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

Sub-process	Objectives
Completion of the annual Finance return	1. Processes for the production of the HESA return are formally documented and understood by staff involved
HESA Finance Return	

in its preparation.

2. Data submitted reconciles to the underlying financial records of the University.
3. Data submitted is classified in line with HESA guidance.
4. Processes are in place to assess the reasonableness of the outputs prior to submission.

### **Limitations of scope**

The scope of our work will be limited to those areas outlined above.

Our work will not seek to provide 100% assurance over the accuracy of the Finance return, or seek to verify the accuracy or completeness of the source data used to compile the Finance return.

This review will exclude the HEBCI section of the return.

### **Audit approach**

Our audit approach is as follows:

The review will be carried out using the following approach:

- Review of background documents including any document procedures for the completion of the finance return;
- Interviews with relevant officers to document the process and controls in place and to establish compliance with those controls;
- Assessing the adequacy of procedures and controls in operation to mitigate potential risks;
- Testing adherence to these controls by review and sample testing of documentation and system outputs; and
- Working closely with management to share examples of good practice and develop action plans.

### **Internal audit team**

<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Engagement Manager	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com
Charlotte Bilsland	Audit Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Gavin Patti	Auditor	07717 528 304 gavin.m.patti @uk.pwc.com

### **Key contacts – London South Bank University**

<b>Name</b>	<b>Title</b>	<b>Contact details</b>	<b>Responsibilities</b>
Natalie Ferer	Financial Controller (Audit Sponsor)	0207 815 6316 ferern@lsbu.ac.uk	Review and approve terms of reference Review draft report Review and approve final report Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan

Ephraim Maimbo	Financial Accountant	0207 815 6369 maimboe@lsbu.ac.uk	Receive draft and final terms of reference Hold initial scoping meeting Review draft report Receive final report Review and meet to discuss issues arising and develop management responses and action plan
Richard Flatman	Executive Director of Finance	0207 815 6301 richard.flatman@lsbu.ac.uk	Receive draft and final terms of reference Receive draft and final report
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Receive final terms of reference Receive draft and final report

### ***Timetable***

Fieldwork start	02/12/2013
Fieldwork completed	06/12/2013
Draft report to client	20/12/2013
Response from client	03/01/2014
Final report to client	10/01/2014

Agreed timescales are subject to the following assumptions:

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

### ***Information request***

Please find attached a deliverables listing outlining items we expect to have available on the first day of the audit:

- Copies of all policy and procedure notes;
- An electronic copy of the finance return – we will agree a sample from this back to source documentation.

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

# ***Appendix 3. Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

We have undertaken the review of the HESA Finance Return subject to the limitations outlined below.

### ***Internal control***

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

### ***Future periods***

Our assessment of controls is for the period 2013/2014 only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

## ***Responsibilities of management and internal auditors***

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

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we 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.

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



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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 01 August 2013. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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# London South Bank University

	PAPER NO: AC.09(14)	
Board/Committee:	Audit Committee	
Date:	6 February 2014	
Paper title:	Finance Department Structure/succession planning	
Author:	Richard Flatman, Chief Financial Officer	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	That Committee notes the report	
Aspect of the Corporate Plan to which this will help deliver?	Financial control/sustainability	
Matter previously considered by:	Audit Committee	Annually
Further approval required?	N/A	
Communications – who should be made aware of the decision?	N/A	

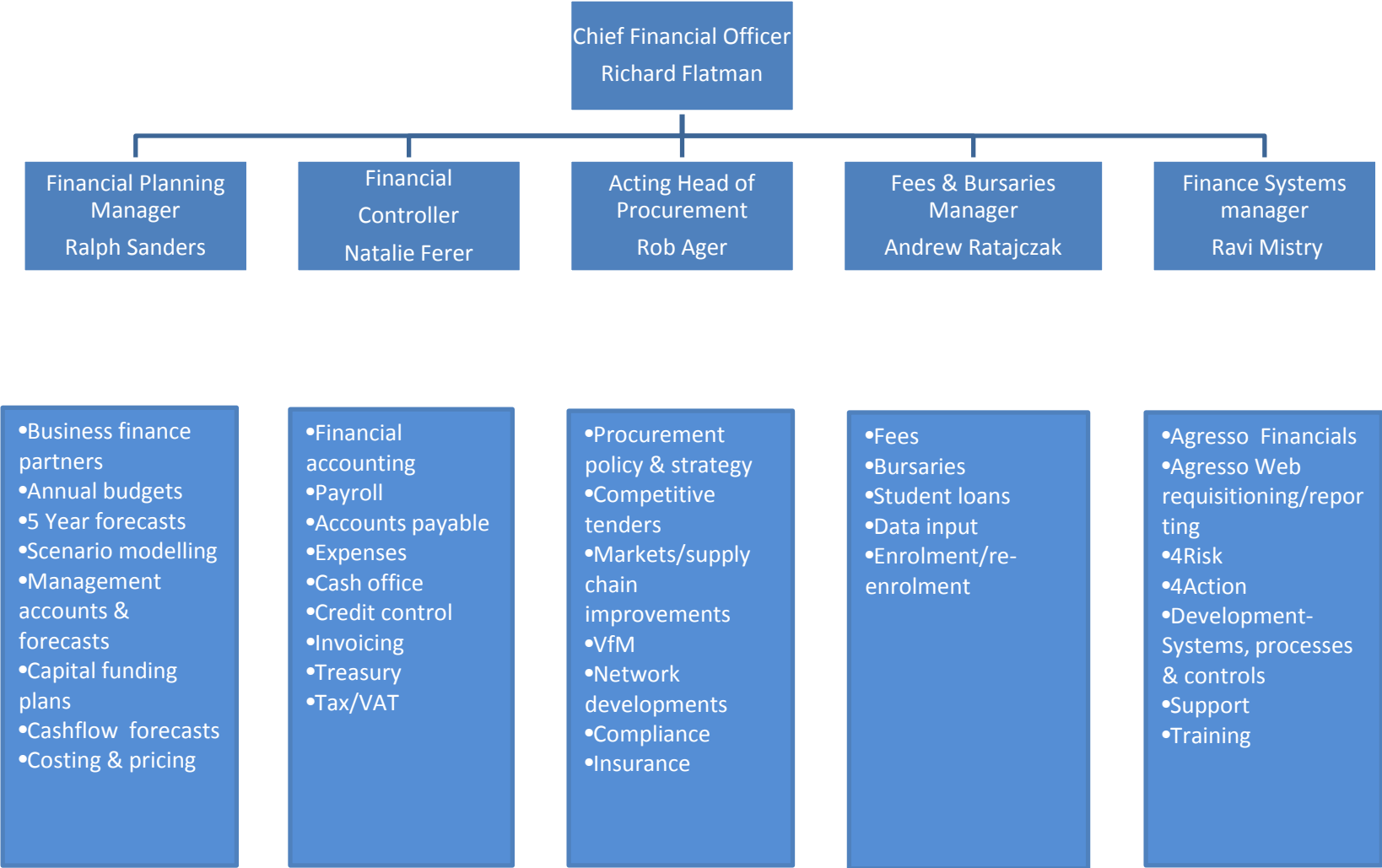
## Executive summary

Committee is asked to note the Finance Department structure as set out in the attached organisation chart.

The structure of the department is unchanged since the last report to committee in February 2013. Responsibilities of key post holders are also unchanged with one exception where Rob Ager has, since late September 2013, taken on the role of acting Head of Procurement whilst Penny Green is on maternity leave.

The Chief Financial Officer will give a verbal update at the meeting regarding the team and any succession planning issues.

**Finance Department  
Structure at 6 February 2014**



	PAPER NO: AC.10(14)	
Board/Committee:	Audit Committee	
Date:	6 February 2014	
Paper title:	Anti fraud, bribery and corruption report	
Author:	Richard Flatman – Chief Financial Officer	
Executive sponsor:	Richard Flatman – Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends that Audit committee note the position as reported below.	
Aspect of the Corporate Plan to which this will help deliver?	Creating an environment in which excellence can thrive.	
Matter previously considered by:	Audit Committee	At each meeting
Further approval required?	N/A	
Communications – who should be made aware of the decision?	N/A	

### **Executive summary**

This paper is presented to each meeting of Audit Committee to alert members to any instances of fraud, bribery or corruption arising in the period since committee last met. Three matters have been reported since the last meeting as noted below.

#### **1. Student records matter**

A potential fraud has been identified in the Faculty of ESBE. A detailed investigation by senior staff in the faculty has revealed the following:

24 students have had their 2012/13 student records falsely amended by one Faculty Administrator. All 24 are full-time ESBE undergraduate students. In 20 cases, these changes have allowed students to progress to the next level of their

award. Four students have been awarded a qualification as a result of changes made, but two of these are for subsidiary qualifications which have, again, allowed the students to progress. Two students have exited from the University with awards as a result of changes made.

- Evidence has been found to suggest that students may have made payments to the Administrator in return for records being changed, including evidence of one payment of £1,900 made from the student to the administrator through Western Union
- A number of documents have been found which suggest that the same Administrator was fraudulently claiming exemption from council tax due to both him and his wife being full time students at the University. Included were 6 falsified student council tax exemption certificates, incorrectly stating that the administrator and his wife were full time students at LSBU.

The following actions were taken on discovery of the potential fraud on 5 November 2013:

- an investigation process was initiated against the employee including immediate suspension from work. The Administrator resigned on November 10 and is no longer an employee of the University.
- HEFCE, QAA and OIA were notified of this matter before Christmas as a potentially significant fraud. There is no evidence at this stage of any financial loss to the University although when the fee position is unwound this could potentially turn out to be the case. The position could however be very damaging in terms of reputational impact hence immediate reporting
- Details relating to the council tax exemption have been passed to Redbridge Council's fraud department.
- The police were briefed on 21 November 2013 and a detailed evidence pack has been sent to them. The tone of the meeting with the police would suggest that they are keen to initiate action against the administrator. The key decision the police are still considering in consultation with the CPS is whether they bring action against the students (*unlikely*), or whether they treat the students as victims and witnesses in the action against the administrator.
- A schedule for internal investigation, and prosecution, of these cases under the University's Academic Integrity Processes, has been prepared and is ready to be put into action as soon as we are given clearance to proceed.

The police have advised us not to begin internal academic misconduct procedures until they have decided what action they will be taking. However, we cannot wait indefinitely to start the academic misconduct process and therefore plan to start the process at the

end of semester 1, Friday 24<sup>th</sup> January 2014. It is important to start this process so that any original academic misconduct is acted upon and not compounded by further incorrect progression or awards at the end of this academic year. The police have been advised that this is the course of action that we intend to take.

Media interest is likely once the academic misconduct process starts and the 24 students are asked to attend hearings. There may also be interest in relation to the separate matter of the Administrator's benefit fraud against Redbridge Borough Council, in which he fraudulently used LSBU council tax exemption certificates. The Marketing team have been briefed and will prepare statements when necessary.

## **2. Estates Purchasing matter**

It has come to our attention that a Project Manager working in Estates authorised a supplier, Pulsar Electrical, an additional £140,000 (excl VAT) of boiler replacement work in London Road without the correct authorisation and without issuing a purchase order in advance of commencement of the additional work. The work has now been completed and the contractor has submitted an invoice for payment.

The employee was suspended from work on Friday 20<sup>th</sup> December. Our Director of Estates has carried out a full investigation and is currently in the process of finalising her report. Initial findings are that the member of staff has confirmed that he was aware of the regulations but had taken a decision to approve additional work without reference to either his line manager or Head of Estates Development due to operational pressures. The draft report recommends that this matter be escalated to a formal disciplinary hearing.

At this stage, the matter is being treated as a breach of regulation / procedure rather than fraud and due process will be followed via disciplinary hearing. In the event that circumstances change, or if there is any evidence of fraud / collusion with the contractor, the normal fraud reporting protocol will be invoked.

## **3. Attempted amendment of supplier bank details**

A Procurement Administrator in the Finance department received a phone call from someone purporting to be with Mitie Group Plc who supply reception staff to the University. The phone call was followed up by a letter on Mitie headed paper requesting a change of bank details. Following normal procedure, the Administrator contacted Mitie by telephone and he was advised that the person who made the original

phone call does not work for them and that the company had not requested any change of bank details.

We have reported the matter to our contract manager at Mitie and to the Police via Action Fraud and to the National Anti Fraud Network (NAFN).

**Speak up policy**

Originating Department:	<i>Governance &amp; Legal</i>
Enquiries to:	<i>University Secretary &amp; Clerk to the Board</i>
Approving Committee/Body:	<i>Approved by Board of Governors</i> <i>Reviewed by Audit Committee</i>
Version No:	2
Last Approved:	Reviewed by Audit Committee 7 <sup>th</sup> February 2013
Next due for approval:	Review by Audit Committee by 31 <sup>st</sup> March 2014
Document Type (delete as appropriate):	POLICY
Mandatory Target Audience:	<i>All Staff and Students</i>
Also of Relevance to:	<i>LSBU partners and stakeholders</i>
Brief Summary of Purpose:	<i>The Speak up policy is intended to assist both students and employees who believe they have discovered malpractice or impropriety.</i>

## **Speak up policy**

### **1. Introduction**

LSBU is committed to the highest standards of business conduct. It seeks to conduct its affairs in a responsible manner taking into account the requirements of its funding bodies, and the values identified by the Committee on Standards in Public Life.

LSBU welcomes constructive criticism and encourages a climate in which problems can to a large extent be addressed informally. However, it recognises that this is not always possible, and that sometimes more formal means are needed.

The Public Interest Disclosure Act gives legal protection to workers against being dismissed or penalised by their employers as a result of publicly disclosing certain serious concerns. Where an individual discovers information which he or she believes shows malpractice or wrongdoing within the organisation then it should be disclosed without fear of reprisal, and this may be done independently of line management. Employees in other territories will be treated as if such legislation applied to them.

This policy is intended to assist both students and employees who believe they have discovered malpractice or impropriety. It is not to be used to question financial or business decisions taken by LSBU. Nor is it for matters which should be raised under grievance, complaint or disciplinary procedures, or to reopen matters which have already been considered under them. Students on placement should, in the first instance, follow the speak up policy of the institution in which they are placed.

### **2. Scope of the speak up policy**

This speak up policy is intended to allow students, staff and others associated with LSBU by an employment or other business contract to raise concerns and disclose information about perceived malpractice.

The term 'malpractice' includes, but is not limited to:



- financial malpractice, impropriety or fraud
- breaches of financial controls, false accounting/reporting, financial and other reporting irregularities
- academic malpractice
- failure to comply with LSBU's legal or regulatory obligations – for example about the health and safety of students, employees or the public, anti-discrimination legislation, trading standards or environmental protection laws
- unethical business conduct, where colleagues receive or solicit anything of value from a third party or promise, offer or give anything of value to influence the decision of a third party in procurement or contract execution for LSBU
- any other criminal activity, such as assault
- bullying, harassment, discrimination or victimisation of others
- colleagues who are involved in the taking, buying, selling of drugs or other forms of substance abuse
- a miscarriage of justice
- actions intended to hide any of the above
- behaviour which might damage LSBU's reputation

### **3. Safeguards**

#### **3.1 Protection**

This speak up policy is designed to offer protection to those identified in paragraph 2 who disclose such concerns, provided that the disclosure is made:

- (i) in good faith, and
- (ii) in the reasonable belief of the individual making the disclosure that it tends to show malpractice.

#### **3.2 Confidentiality**

Your identity when making the allegation will be kept confidential to those dealing with the case only, so long as this does not hinder or frustrate any investigation or LSBU's ability to meet its legal obligations. However, the investigation process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required.

#### **3.3 Anonymous Allegations**

You are encouraged to put your name to any disclosures you make. Concerns expressed anonymously carry less weight, but may be considered at LSBU's discretion. Factors to be taken into account in exercising this discretion include:

- the seriousness of the issues raised;
- the credibility of the concern;

- any supporting evidence received; and
- the likelihood of confirming the allegation from alternative credible sources.

### 3.4 *Untrue Allegations*

If you make an allegation in good faith, but it is not confirmed by subsequent investigation, no action will be taken against you.

The making of malicious or vexatious allegations, however, is likely to result in disciplinary and/or legal action.

## 4. **Procedures for speaking up**

### 4.1 *Initial Step*

In the first instance disclosure should be made to your line manager or head of department, who should decide if it is appropriate to resolve the matter locally.

If you cannot raise the matter with your line manager or head of department (e.g. because they are the subject of the disclosure), or if you are dissatisfied with the outcome of your disclosure, you should refer the matter to any of:

- the University Secretary; or
- the Director of Human Resources; or
- the Deputy Director of Human Resources.

Alternatively, where you wish to raise the matter with someone who is outside the line management structure of LSBU, disclosure may be made to:

- the Chair of the Audit Committee, who is always an independent governor.

To follow this independent route, you should write to the Chair of the Audit Committee, 103 Borough Road, London, SE1 0AA (c/o the University Secretary & Clerk to the Board), marked "*Personal and Confidential: please forward*". The correspondence will be forwarded unopened to the Chair of the Audit Committee.

The Chair of the Audit Committee will respond promptly to you and will decide the course of action to be taken.

#### 4.2 *Students on placement*

If you are a student on placement you should, in the first instance, follow the speak up policy of the institution in which you are placed.

#### 4.3 *Nurses, midwives and student nurses and midwives*

Your attention is drawn to the Nursing and Midwifery Council's guidance: *Raising and escalating concerns: Guidance for nurses and midwives (November 2010)*.

Further information is available on the NMC's website:

<http://www.nmc-uk.org/Nurses-and-midwives/Regulation-in-practice/Safeguarding-New/Raising-and-escalating-concerns/>

#### 4.4 *Next steps*

The person receiving the initial disclosure will consider the information made available and should determine whether there is a *prima facie* case to answer, whether an investigation should take place, and if so what form it should take.

Investigations may involve:

- the application of a standard LSBU management procedure;
- an investigation by the internal auditors or some other person;
- an external investigation;
- referral to an external body (e.g. a funding body or the police), before or after an internal investigation has taken place.

Investigations will not be carried out by any person who will have to reach a decision on the matter. For this reason neither the Vice Chancellor nor the Chair of the Board should be asked to conduct an initial investigation.

#### 4.5 *Feedback*

The person receiving the initial disclosure will inform you, in outline, of the action already taken in response to it and what further action, if any, is to be taken.

Where a disclosure is made the person or persons against whom the disclosure is made will be told of it, and the evidence supporting it, and will be allowed to respond before any investigation, or further action, is concluded.

However, the person against whom a disclosure is made will not be told if it is likely to compromise the outcome of the investigation.

There will be an equivalent feedback process following an appeal under 4.7 below.

#### *4.6 Reporting of Outcomes*

A brief written report of all disclosures, not identifying individuals, and any subsequent actions taken will be made to the LSBU Audit Committee.

#### *4.7 Appeals*

If you are dissatisfied with the outcome of your disclosure, you have a right of appeal to an independent governor.

To make an appeal you should write to the Chair of the Board, c/o the University Secretary, marking the envelope "*Personal and Confidential: please forward*".

### **5. Monitoring and Review**

The University Secretary will report to the Board of Governors annually on the effectiveness of this policy and will ensure that periodic reviews are carried out.

*Approved by the Board of Governors on 15<sup>th</sup> July 2010*

*Reviewed by the Audit Committee on 7<sup>th</sup> February 2013*

*Next review by 31<sup>st</sup> March 2014*

	PAPER NO: AC.11(14)	
Committee:	Audit Committee	
Date:	6 February 2014	
Subject:	Speak up review and report	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Board sponsor:	Andrew Owen, Chairman of the Audit Committee	
Recommendation:	That the committee consider the speak up arrangements and note the speak up report.	
Aspect of the Corporate Plan to which this will help deliver?	N/a. The policy enables employees and students to report any concerns about malpractice, helping to create an open ethical culture in the workplace.	
Matter previously considered by:	Audit Committee	7 <sup>th</sup> February 2013
Further approval required?	N/a	N/a
Communications – who should be made aware of the decision?	All staff and students	

## **1. Review of speak up arrangements**

Under the committee's annual work plan, the committee considers speak up arrangements at the February meeting.

The fully revised "speak up" policy was approved by the Board of Governors on 15<sup>th</sup> July 2010. The policy is attached and is available to staff and students via the gateway. At its meeting of 7<sup>th</sup> February 2013, the Committee reviewed the policy, emphasising the independent reporting route via the Chair of the Audit Committee.

In the year since the last review of arrangements in February 2013, the following matters have been reported to the committee:

- 7-2-13 – and e-mail enquiry that was not pursued.
- 13-6-13 – a matter raised by a student who was referred to the internal student complaints procedure.
- 26-9-13 – a matter raised by an employee who was referred to the grievance and probation procedures.

No changes to the policy are recommended for this year.

**2. Speak up report**

Under the speak up reporting procedure, since the last meeting of the Audit Committee on 31<sup>st</sup> October 2013, there have been no new speak up matters raised with the University Secretary, Director of HR or the Deputy Director of HR.

	PAPER NO: AC.12(14)	
Board/Committee:	Audit Committee	
Date:	6 February 2014	
Paper title:	Internal audit contract extension	
Author:	Richard Flatman, Chief Financial Officer	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Recommendation by the Executive:	That the Audit Committee notes the internal audit contract position and agrees a 12 month extension from 1 August 2014 to 31 July 2015.	
Aspect of the Corporate Plan to which this will help deliver?	Strong internal/financial control.  Creating an environment in which excellence can thrive.	
Matter previously considered by:	Audit Committee & Board of Governors	Annually
Further approval required?	N/A – Board to be informed	
Communications – who should be made aware of the decision?	N/A	

### **Executive summary**

The internal audit contract was tendered in 2010 and PwC were appointed. The contract was for a 3 year term initially but structured as 3+1+1, with the opportunity to extend on an annual basis thereafter for a further two years.

The contract has been subject throughout to regular review against agreed performance indicators which have been reported to each meeting of committee (see internal audit progress report for latest update).

On the basis of the KPIs, the agreed performance standards have been met and the recommendation is to extend the contract for a further 12 month period until 31 July 2015.