

London South Bank University

	PAPER NO: AC.21(12)	
Board/Committee:	Audit Committee	
Date:	20 June 2012	
Paper title:	Internal Audit Progress Report	
Author:	PricewaterhouseCoopers	
Executive sponsor:	Richard Flatman, Executive Director of Finance	
Recommendation by the Executive:	The Executive recommends that the Audit Committee note the report.	
Aspect of the Corporate Plan to which this will help deliver?		
Matter previously considered by:	N/A	On:
Further approval required?	N/A	On:
Communications – who should be made aware of the decision?	N/A	

Executive summary

PwC have provided a high level summary of their work to date in 2011/12. The internal audit programme is on plan and copies of the reports for audit work completed to date are presented to committee for review.

The progress report includes follow up work on recommendations reviewed since the last progress report was presented to the Audit Committee in February 2012. Good progress is being made. Of the 5 recommendations scheduled for follow up, 4 have been implemented and the remaining action is in progress.

The committee is requested to note the report.

Attachment:

1. Internal Audit Progress Report

London South Bank
University

Internal Audit Progress Report 2011/2012

*Progress Report to
Audit Committee*

May 2012

FINAL

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Overview

Progress Summary

1. This report presents a high level summary of the audit activity that has taken place in 2011/12 since our last progress report to the February 2012 Audit Committee. A detailed timeline of audit activity and related assurance outcomes for 2011/12 is set out at Appendix 1.
2. Since our last report to the Audit Committee in February 2012, we have completed the reviews on Risk Management, Delegated Authority Arrangements, Management of Representative Partners for International Students, Bribery Act 2010 and Continuous Auditing for 1 November 2011 to 31 January 2012. These reports are being presented to this Audit Committee and key findings from each review are noted below.
3. The overall report classification on the **Risk Management** review was Medium Risk. The nature of risks included on the corporate risk register were reviewed and it was noted that some of the risks as described in the corporate register are not directly controllable by the University. Management should focus on the risks that are within their control where they can take action to mitigate those risks occurring.
4. The overall report classification on the **Delegated Authority Arrangements** review was Medium Risk. There was a differing opinion of the role of the various support officers used by the Faculty and Department heads interviewed. There were issues noted in the consistency of the support being offered, some Heads of Department indicated they had a very good level of support whereas other did not feel fully supported.
5. The overall report classification on the **Management of Representative Partners for International Students** review was Medium Risk. There was one high risk finding, relating to there being a number of contracts dated 2010, indicating that they have not been reviewed on an annual basis as required by University policy.
6. The overall report classification for the **Bribery Act 2010** review was High Risk due to the lack of formal analysis to identify mitigating controls in relation to high risk areas relating to the Bribery Act.
7. We are pleased to note that four of the five systems covered by **Continuous Auditing** remain green rated. Accounts payable remains amber rated due to:
 - two of the four BACS runs and remittance confirmations not being signed by all relevant staff; - 11 invoices raised between 1 November 2011 and 31 January 2012 did not have a purchase order dated within the last 30 months (i.e. between 1 August 2009 and 31 January 2012); and
 - 27 invoices had a value of more than 130% of the purchase order.
8. We have undertaken follow up work in April/May 2012 on the recommendations on the 4Action system with a target date for action of 31 March 2012 or sooner. We have discussed progress with implementing the recommendations with those persons assigned responsibility for them and have sought evidence to support their response, except where the recommendations had a priority of Low, in which case, we have accepted management's assurances of their implementation. Of the five recommendations due for follow up, four had been implemented and one was in progress. Our detailed findings are included in Appendix 2.

Recommendation

9. That the Committee notes the progress made against our 2011/12 Internal Audit Operational Plan.

Appendix 1 - Progress against the 2011/12 internal audit operational plan

Included below is a summary of the current progress against the reviews in our 2011/12 internal audit 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 no. of findings	Ratings					
							Critical	High	Medium	Low	Advisory	
Quarter 1												
Continuous Auditing of Key Financial Systems												
10 (10)	12/11/10	29/8/11	19/10/11	26/10/11	N/A	0	0	0	0	0	0	
HESA Staff Return												
5 (5)	6/11/11	14/11/11	18/11/11	23/12/11	Low risk	0	0	0	0	0	0	
Quarter 2												
Student Residences												
7 (7)	9/11/11	5/12/11	8/12/11	8/1/11	Low risk	0	0	0	0	0	0	
Continuous Auditing of Key Financial Systems												
10 (10)	13/10/11	21/11/11	10/1/12	20/1/12	N/A	1	0	0	0	1	0	
Risk Management												
13 (13)	5/01/12	31/1/12	28/2/12	16/4/12	Medium risk	4	0	0	4	0	0	
Quarter 3												
Management of Representative Partners for International Students												
5 (5)	21/11/11	19/3/12	5/4/12	18/5/12	Medium risk	2	0	1	0	1	0	
Continuous Auditing of Key Financial Systems												
10 (10)	13/10/11	20/2/12	25/4/12	21/5/12	N/A	0	0	0	0	0	0	
Bribery Act 2010												
5 (5)	28/3/12	26/3/12	5/04/12	31/05/12	High risk	5	0	1	1	3	0	
Delegated Authority Arrangements												
10 (10)	16/1/12	27/2/12	2/3/12	13/4/12	Medium risk	8	0	0	2	6	0	
Quarter 4												
Continuous Auditing of Key Financial Systems												
13	13/10/11	28/5/12										
Research												
10 (1)	21/3/12	6/6/12										
Value for Money Arrangements												

Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total no. of findings	Ratings				
							Critical	High	Medium	Low	Advisory
2											
Other											
Planning, contract management and reporting											
9 (7)											
Follow up											
5 (3)											
Total											
114 (86)						20	0	2	7	11	0

Appendix 2 - Results of Follow Up of Recommendations

Recommendation	Progress to date	Status	Further recommendation
<p>1 Source: Fixed Asset Review Internal Audit report 2010/11</p> <p>Management should investigate if the University holds other records, e.g. in the IT department, which lists unique asset numbers for IT equipment and if so, how this can be reconciled to the asset register. Consideration should also be given to clearly marking future purchases of easily portable assets as the property of the University and with a unique asset number. The asset number and its location should also be recorded on the fixed asset register.</p> <p>Responsibility for action: Financial Controller Original target date: 31 December 2011 Updated target date: 31 March 2012</p>	<p>The Financial Controller has investigated and there are plans in both ICT and Estates and Facilities to put an inventory system in place and the leads in those areas have agreed that if they do this, they will include an interface with Agresso.</p>	<p>Priority: Medium</p> <p>Implemented</p>	<p>Not applicable</p>
<p>2 Source: Fixed Asset Review Internal Audit report 2010/11</p> <p>Given the importance of value for money, especially in the current economic climate, further guidance should be added to the financial regulations to ensure that value for money is considered for all disposals.</p> <p>Responsibility for action: Financial Controller Original target date: 31 December 2011 Updated target date: 29 February 2012</p>	<p>Section 9.14 of the financial regulations will be updated to give further guidance on how to ensure value for money is achieved when disposing of fixed assets. This will be presented to the Audit Committee on 20 June 2012 for approval.</p> <p>Target date for implementation amended to 20 June 2012.</p>	<p>Priority: Low</p> <p>In progress</p>	<p>Original recommendation still stands.</p>
<p>3 Source: Budget Setting and Monitoring Internal Audit report 2010/11</p> <p>a) Supporting documentation should be kept for journals relating to balance sheet accounts.</p> <p>b) Given that G6 journals do not require approval, it is important that other controls are operating effectively. We reiterate our recommendation that all BSMs should meet with their Budget Managers each month.</p> <p>Responsibility for action: Financial Controller Target Date: 29 February 2012</p>	<p>a) We have tested a sample of journals and found that they all had supporting documentation.</p> <p>b) The BSMs meet with each budget manager at least once a month. This could be a physical meeting, a phone call, or email exchange depending on level of risk, budget variance etc (this is based upon the area's stability of activity, if there are any significant changes in staff or expected future developments if the area is on budget).</p>	<p>Priority: Medium</p> <p>Implemented</p>	<p>Not applicable</p>

Recommendation	Progress to date	Status	Further recommendation
<p>4 Source: Effectiveness of Health and Safety Management Controls Internal Audit report 2010/11</p>		<p>Priority: Low</p>	
<p>Corporate Health and Safety function to examine sample of risk assessments in high risk areas to assess quality.</p> <p>Responsibility for action: Head of Health & Safety Target Date:31 December 2011</p>	<p>Risk Management including methodology and process is now an area covered by health and safety surgeries conducted by Head of Health and Safety in all faculties and support departments in order to assess consistency and synergy.</p>	<p>Implemented</p>	<p>Not applicable</p>
<p>5 Source: Value for Money - Internal Audit Report 2010/11</p>		<p>Priority: Medium</p>	
<p>Management should communicate to Departments the importance of their responsibility for all principles of VfM: Economy, Efficiency and Effectiveness.</p> <p>This should involve communicating explicit links between existing reporting metrics and targets with practical applications of VfM activities, particularly efficiency and effectiveness of their services, by for example, validating what is done against the Universities governance framework or, evidencing that economy decisions are consistent with qualitative tests around the effectiveness as well.</p> <p>Responsibility for action: Corporate & Business Planning Manager Target Date:31 January 2012</p>	<p>Guidance for departments at the University to develop Standard Level Agreements (SLAs) along with KPIs to support their SLAs has been issued. This is a step towards allowing departments at the University to highlight their activities which would aid in the transparency of their efficiencies and the effectiveness of their services. This has been included and aligned with the 2012/13 Business Plan template and communicated to departments around the University. All departments have set Quarterly Review meetings, which include members of the Executive and all Heads of departments, where the initial communication was conducted. HoDs were made aware of what was needed. SLA and KPI templates were then sent out and made available on the Staff Gateway webpage as guidance.</p>	<p>Implemented</p>	<p>Not applicable</p>

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