

	PAPER NO: AC.08(12)
Committee:	Audit Committee
Date:	09 February 2012
Subject:	Internal Audit – HESA Staff Return
Author:	Darrell Pariag, Corporate & Business Planning Manager
Executive sponsor:	Richard Flatman, Executive Director of Finance
Recommendation by the Executive:	The Executive recommends that the Audit Committee note the attached report.

Executive summary

The internal audit report on the HESA staff return is attached. There are no findings to report.

Attachment:

- Report on HESA Staff Return

	Board/Committee	Date
Matter previously considered by:	n/a	
Further approval required?	n/a	

Communications – who should be made aware of the decision?	n/a
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1. Executive Summary

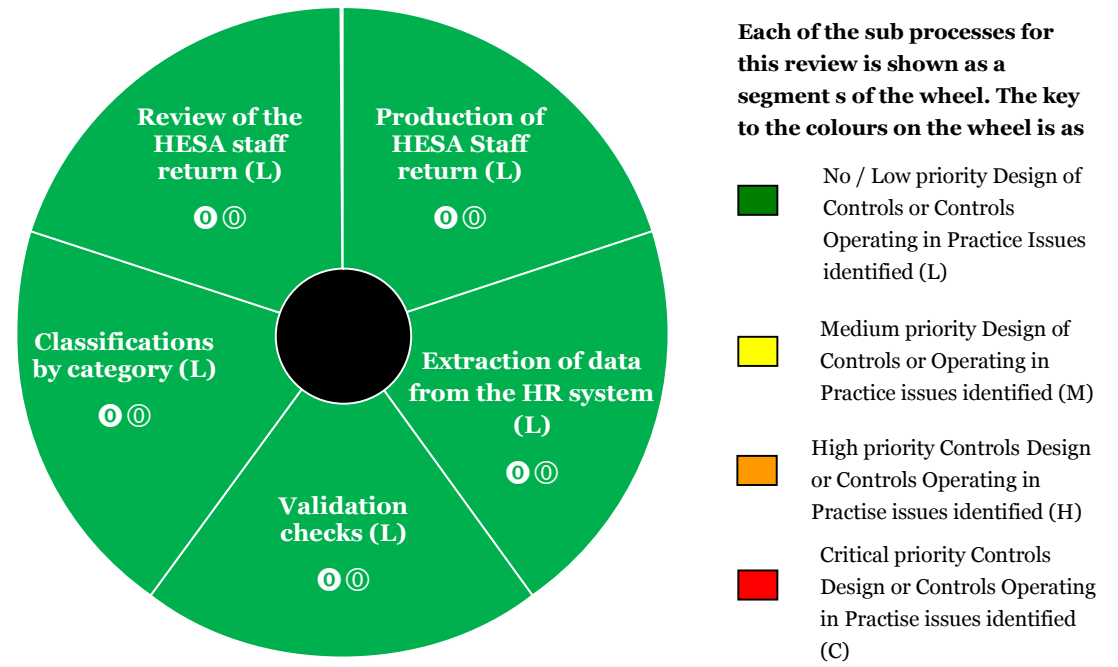
<p>Department: Human Resources Audit Sponsor: Katie Boyce Distribution List: Martin Earwicker, Katie Boyce, Tony Page Date of last review: N/a</p>	<p>Report classification Low risk ●</p>	<p>Direction of Travel N/a – This is the first time the review has been completed</p>	<p>Number of Control Design issues identified</p> <table border="0"> <tr><td>0</td><td>Critical</td></tr> <tr><td>0</td><td>High</td></tr> <tr><td>0</td><td>Medium</td></tr> <tr><td>0</td><td>Low</td></tr> </table>	0	Critical	0	High	0	Medium	0	Low	<p>Number of Controls Operating in Practice issues identified</p> <table border="0"> <tr><td>0</td><td>Critical</td></tr> <tr><td>0</td><td>High</td></tr> <tr><td>0</td><td>Medium</td></tr> <tr><td>0</td><td>Low</td></tr> </table>	0	Critical	0	High	0	Medium	0	Low
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Scope of the Review: We reviewed the design and operating effectiveness of key controls in place relating to the preparation of the HESA staff return for the period 2010/11.
Limitation of scope: The review did not cover the accuracy of the underlying data held in the Oracle system merely that it has been extracted and transferred to the HESA return correctly.

Summary of findings:

The HESA (Higher Education Statistics Agency) staff return is compiled by members of the HR department. The process is well documented in guidance that has been created by LSBU. Details of the deadlines and guidance issued by HESA are available on the HESA website. The final submission of data to HESA was delivered to deadline. During the process of collating the information for the HESA return some key deadlines were not met. The return date was extended from 30th September to 14th October and the commit date from 14th October to 19th October. The last submission date remained the same at 11th November 2011.

These deadlines were extended due to changes in the underlying HESA cost centre data as errors were noted and corrected by LSBU during the compilation of the return. The staff cost centre data was tested by LSBU as management deemed this to be a risk area. Previous controls to validate cost centre data were to send a report of all staff and their cost centre details to the relevant department/faculty to agree this was correct. A new control was implemented this year, whereby the departments and faculties were provided with staff names and asked to assign the staff to the correct cost centre. The returns received contained many differences to the original dataset. These were corrected whilst the return process was ongoing. HESA were informed of the issues in a timely manner and extended the relevant deadlines where necessary.



2. Detailed Findings Recommendations and Action Plan

There were no recommendations to report from review of the 2010/11 HESA staff return.

3. Basis of our classifications





Individual finding ratings

Finding rating	Assessment rationale
<p style="text-align: center;">Critical</p>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; <i>or</i> • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
<p style="text-align: center;">High</p>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; <i>or</i> • Significant impact on the reputation or brand of the organisation.
<p style="text-align: center;">Medium</p>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
<p style="text-align: center;">Low</p>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation’s operational performance; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
<p style="text-align: center;">Advisory</p>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Report classifications

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

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

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

Auditors Responsibilities 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 shall 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, unless we are requested to carry out a special investigation for such activities in a particular area.

Limitations inherent to the internal auditor's work We have undertaken this review, subject to the limitations outlined below. Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. 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. The assessment of controls relating to this review is that at 18 November 2011. 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.

PricewaterhouseCoopers LLP Disclaimer We have prepared this report solely for London South Bank University (LSBU) and we do not accept any duty or responsibility to any other party. On this basis, this report should not be disclosed to any third party or quoted or referred to without our prior written consent. Such consent will only be granted on the basis that this report is not prepared with the interests of anyone other than the Authority in mind and we do not accept any duty or responsibility to any other party. In particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work. It is management's responsibility to maintain systems of risk management, internal control and governance.

4. Terms of Reference

HESA Staff return

To: *Martin Earwicker*
From: *Justin Martin*

This review is being undertaken as part of the 2011/2012 internal audit plan approved by the Audit Committee.

Background

The HESA (Higher Education Statistics Agency) staff return is due in November of each year and is split into three areas:

- Person – e.g. date of birth, gender, ethnicity;
- Grade – e.g. salary, minimum and maximum spine points; and
- Contract – e.g. job title, terms of employment.

The return is required to be submitted to HESA in a prescribed format and the information is collated by HESA for sector benchmarking purposes.

Scope

We will review the design and operating effectiveness of key controls in place relating to the preparation of the HESA staff return for the period 2010/11. The sub-processes and related control objectives included in this review are:

Sub-process	Control objectives
Production of the HESA Staff Return	<ul style="list-style-type: none">• Procedures and policies are in place to ensure the HESA Staff Return is correctly and accurately completed.• Procedures are fully understood and followed by members of staff involved in the preparation of the HESA Staff Return.
Extraction of data from the HR system	<ul style="list-style-type: none">• Data contained within the HESA Staff Return is extracted from the HR system correctly.
Validation checks	<ul style="list-style-type: none">• Information included within the HESA Staff Return is complete.
Classifications by category	<ul style="list-style-type: none">• Information collated has been appropriately categorised in the HESA Staff Return in line with HESA guidance.
Review of the HESA Staff Return	<ul style="list-style-type: none">• Review and authorisation of the HESA return has been performed prior to submission.• Submission of the return has been completed within the deadline set by HESA.

Limitations of scope

This review will not cover the accuracy of the underlying data held in the Oracle system merely that it has been extracted and transferred to the HESA return correctly.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the HESA staff return process through discussions with key personnel, review of systems documentation and tests.
 - Identify the key risks involved in the compilation and submission of the HESA staff return.
 - Evaluate the design of the controls in place to address the key risks.
 - Test the operating effectiveness of the key controls.
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Internal audit team

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Key contacts – London South Bank University

Martin Earwicker	Vice Chancellor & Chief Executive	Audit Sponsor	martin.earwicker@lsbu.ac.uk
Katie Boyce	Director of Human Resources	Audit Owner	boycek@lsbu.ac.uk
Tony Page	IT systems manager	Compiles HESA return	tony.page@lsbu.ac.uk

Timetable

Fieldwork start	14 November 2011
Fieldwork completed	18 November 2011
Draft report to client	2 December 2011
Response from client	23 December 2011
Final report to client	4 January 2011

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.
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Appendix 1: Information request

- Systems notes
- Process documentation
- Copy of the submitted HESA return
- Internal HESA return timetable
- Exception reports and documentation of changes and re-submissions made.

In the event that, pursuant to a request which London South Bank University has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. London South Bank University agrees to pay due regard to any representations which PwC may make in connection with such disclosure and London South Bank University shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC London South Bank University discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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