

Meeting of the Audit Committee

4.00 - 6.00 pm on Thursday, 7 June 2018
in 1B16 - Technopark, SE1 6LN

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
9.	Key Financial Systems update	3 - 6	RF

Date of next meeting
4.00 pm on Thursday, 4 October 2018

Members: Steve Balmont (Chair), Duncan Brown and Mee Ling Ng

Apologies: Shachi Blakemore

In attendance: David Phoenix, Natalie Ferer, Richard Flatman, James Stevenson, Joe Kelly, Justin Martin, Lucy Gresswell, Fleur Nieboer, Jack Stapleton, David Mead, Pat Bailey and Ed Spacey

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Agenda Item 9

	CONFIDENTIAL
Paper title:	Key Financial Systems update
Board/Committee	Audit Committee
Date of meeting:	7 June 2018
Author:	Natalie Ferer
Executive/Operations sponsor:	Richard Flatman, CFO
Purpose:	Information
Recommendation:	The meeting is requested to note the information provided.

Executive summary

At its last meeting the committee noted some risks under accounts payable and receivable had moved from green to red. The committee noted that management actions had already addressed these risks. The committee requested an update on management responses to recommendations at its meeting on 7 June 2018.

The red rated areas and an update on progress with implementing measures are shown below:

AP5	Agresso does not allow duplicate suppliers.	●	<ul style="list-style-type: none"> For 3/20 suppliers tested, a duplicate supplier existed on the system with an identical supplier name. A control design weakness has also been raised in respect of the controls for preventing duplicate suppliers. 	●	●	●	●
			<p>Management response:</p> <p>We will implement the control design findings to increase controls in this area, and increase the frequency of checks made.</p> <p>Responsibility for action:</p> <p>Penny Green (Head of Procurement)</p>				

Key Control	P2 17/18	Details on exceptions	Prior period exceptions				
			P1 17/18	P2 16/17	P1 16/17	P2 15/16	
AP3	Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.	●	<ul style="list-style-type: none"> For 1/25 invoices paid, a purchase order had not been raised in respect of the expenditure. 	●	●	●	●
			<p>Management response:</p> <p>The invoice should have been paid against a PO. This was an old invoice and the PO originally raised did not have funds left to cover this bill. It was agreed that we would process it uncommitted as an exception. The supplier is aware that they should only accept orders made with an official PO.</p> <p>Responsibility for action:</p> <p>Natalie Ferer, Financial Controller</p>				

Agresso and Payroll analysis identified 19 supplier ids with corresponding staff payroll entries. Following activity analysis on both systems, 14 were deactivated on Agresso. The remaining five are under review to determine if they are active, and which system they should remain on. Any overlapping spend and related risks will be checked as part of this review.

Accounts Receivable

Key Control	P2 17/18	Details on exceptions	Prior period exceptions				
			P1 17/18	P2 16/17	P1 16/17	P2 15/16	
AR4	Student debt: reminder letters are sent in respect of overdue fees on a monthly basis in line with policy.	●	<ul style="list-style-type: none"> 3/25 student debts had not been chased in accordance with policy. For one debt, there had been no activity since June 2014. 1/25 student debts had been written off by the debt collection agency, but there was no audit trail retained to evidence that this had been authorised by an appropriate LSBU staff member. 	●	●	●	●
			<p>Management response:</p> <p>A number of actions should have taken place in these cases. Some of these issues will be addressed through the monthly check list described in AR3. We will also discuss with our external debt collection agency how management can monitor our team's response to queries raised by them, including requests to close accounts.</p> <p>Responsibility for action:</p> <p>Julian Rigby (Head of Financial Processing)</p>				

Accounts Receivable

Key Control	P2 17/18	Details on exceptions	Prior period exceptions			
			P1 17/18	P2 16/17	P1 16/17	P1 15/16
AR3 Commercial debt: reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	●	<ul style="list-style-type: none"> For 10/20 debts, the debt was not chased every 30 days in line with the debt recovery policy. For 9/10 exceptions, this was due to no chasing letters being sent in September and October 2017. For 1/20 debts, the debt had not been chased due to a system error that failed to identify that this item required chasing. <p>Management response:</p> <p>We have discussed with the line manager how he can effectively supervise the team to ensure these monthly routines are followed. A monthly check list will be implemented to monitor monthly activities including sending of statements and reminders.</p> <p>Responsibility for action:</p> <p>Julian Rigby (Head of Financial Processing)</p>	●	●	●	●

An update of the debt collection procedures has been drafted and is now being implemented. The procedure formalised the process for escalating action when initial debt collection actions have been exhausted which includes further action that takes place both in house and through our external debt collection agency. In addition a monthly check list provides a check that all routine statements and reminders have been sent.

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