

London South Bank University

	PAPER NO: AC.39(12)	
Board/Committee:	Audit Committee	
Date:	27 September 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?	<ul style="list-style-type: none"> • Creating an environment in which excellence can thrive. • Financial sustainability 	
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

PwC have provided a high level summary of their work for 2011/12. The internal audit programme has followed its schedule and copies of the reports for audit work completed to date are presented to the Audit 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 June 2012. Good progress is being made. Of the 4 recommendations scheduled for follow up, all have been implemented.

The Executive recommends that the Audit Committee note the report.

London South Bank
University
Internal Audit Progress
Report 2011/2012

*Progress Report to
Audit Committee*

September 2012

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Overview

Progress Summary

- 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 June 2012 Audit Committee. Since our last report to the Audit Committee in June 2012, we are pleased to report that we have completed our programme of internal audits scheduled for 2011/12. A detailed timeline of audit activity and related assurance outcomes for the year is set out at Appendix 1.

Reports for discussion

Annual Report 2011/12

- Our draft Annual Internal Audit Opinion for the year is presented at this committee and is based upon the findings of our work in 2011/12.
- In addition, we are presenting the following finalised reports to this committee, the last in respect of the 2011/12 audit programme.:

Student Data Quality (HEFCE style data review)

- The overall classification for this report was High Risk, with two high and one medium risk finding.
- Our work identified opportunities to provide greater assurances over the accuracy of HESES and HESA information submitted to HEFCE through the performance of spot checks or computer assisted checks on data returns. We also noted a lack of procedural guidance to guide the production of these returns.

Research and Enterprise

- The overall classification for this report was Medium Risk, with a single medium risk and seven low risk findings.
- We recommend that the Research team ensure all funding bodies use unique reference numbers to identify their payments to the University, allowing finance to allocate income to the correct projects on a timely basis. We have also identified a number of opportunities to realise greater efficiencies within the process; principally through greater communication between Faculties, Research Directors and Business Support Managers.

Continuous Auditing (Q3 2011/12)

- We are disappointed to note a decline in the ratings assigned to two of the five systems covered by our Continuous Auditing work this quarter. These are payroll and accounts receivable.
- A red risk rating has been assigned to payroll this quarter as a result of the observation that members of the payroll team appear to be routinely sharing passwords. We also note that no reconciliation was prepared between the payroll and the general ledger system in March 2012.
- An amber risk rating has been assigned to accounts receivable this quarter. This decline in risk rating is as a result of a slight increase in the number of invoices not having been authorised appropriately prior to being raised (two in quarter three against just one in quarter two).
- Accounts payable continues to be amber rated for the third consecutive quarter;

Findings of our follow up work

- We have undertaken follow up work in on the recommendations on the 4Action system with a target date for action of 31 July 2012 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. We are pleased to report that each of the four recommendations followed up this quarter appear to have been fully implemented. Our detailed findings are included in Appendix 2.

Other matters

- Work is well underway in respect of our 2012/13 programme, we have already commenced our continuous audit work for the final quarter of 2011/12 (the first quarter and will provide the Audit Committee with a verbal update on the progress of this work and an early indication of our findings to date.
- As part of our 2012/13 continuous audit programme, we have worked with management to refresh the scope our work and ensure that our audit programme is properly focused on the key risks facing the institution. This revised Terms of Reference, including additional commentary on the changes to the scope of the work which have been made, is provided to the Committee for review and comment.

Recommendation

- That the Committee **notes** the progress made against our 2011/12 Internal Audit Operational Plan.
- The the Committee **comments** upon the reports presented, including the draft Annual Internal Audit Opinion for 2011/12.

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 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	6/07/12	9/9/12		1	0	1	0	0	0	
Research												
10 (10)	21/3/12	6/6/12	6/7/12	24/8/12	Medium risk	8	0	0	1	7	0	
HEFCE Style Data Review												
10 (10)	20/4/12	26/6/12	10/7/12	2/8/12	High risk	3	0	2	1	0	0	
Other												
Value for Money 2 (2)												
Planning, contract management, reporting and Follow up 16 (16)												
Total												
124 (124)						32	0	5	9	18	0	

Appendix 2 - Results of Follow Up of Recommendations

Recommendation	Progress to date	Priority	Status	Further recommendation
1. Bribery Act (2011/12) – Risk Assessment				
<p>Management should formally include the high risk areas identified in relation to the Bribery Act on the risk register.</p> <p>Mitigating controls should be noted against these high risk areas and management should monitor these risks as part of the monthly risk management process.</p>	<p>As part of the periodic update of risk registers in July 2012, management were requested to consider whether specific updates were required in light of the legislative requirements of the Bribery Act 2010.</p>	High Risk	Implemented	N/A
2. Management of Representative Partners for International Students (2010/11) – Contracts held with agents				
<p>Review contracts periodically and ensure that new contracts are prepared in advance so that they can be sent to representatives before the current one year period of validity has expired.</p>	<p>The contracts for representative partners have been updated to account for the implications of the Bribery Act 2010. This update took place on 24/04/2012.</p>	High Risk	Implemented	N/A
3. Support Services (2010/11) - Support partner relationships				
<p>Roles and responsibilities should be clearly documented for BSM and HR support partners. This would also then give BSMs and HR support partners the opportunity to flag areas they are not comfortable with and require training in.</p>	<p>Quarterly meetings are held between HoDs, the Vice Chancellor and Financial Planning Manager, allowing for any issues regarding the adequacy of the support received from their respective BSM and HRBP to be discussed and resolved.</p>	Medium Risk	Implemented	N/A
4. Updates for starters and leavers (2010/11)- Issue of Letters of Delegated Authority				
<p>Leavers should be removed from the authorised signatory listings promptly to avoid inappropriate transactions arising.</p> <p>Finance should send a memo to all Hof D to remind them of their responsibilities to update finance as soon as there is a change to the authorised signatory listing.</p>	<p>As part of the issue of Delegated Authority letters for 2012/13, HoDs were reminded of the need to update these on a timely basis to reflect any changes in personnel.</p>	Medium Risk	Implemented	N/A