

	PAPER NO: AC.64(12)	
Board/Committee:	Audit Committee	
Date:	30 October 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 September 2012. Good progress is being made. Of the 4 recommendations scheduled for follow up, 3 have been implemented, with the forth still in progress.

The Executive recommends that the Audit Committee note the report.

London South Bank
University
Internal Audit Progress
Report 2012/2013

**Progress Report to
Audit Committee**

October 2012



Overview

Progress Summary

- This report presents a high level summary of the audit activity that has taken place in 2012/13 since our last progress report to the September Audit Committee. A detailed timeline of audit activity and related assurance outcomes for the year is set out at Appendix 1.

Reports presented to this Committee

Final Annual Report 2011/12

- Our final Annual Internal Audit opinion for the year is presented at this committee based upon the findings of our work in 2011/12. No significant changes have been made from the draft opinion presented to the September Committee.
- The first of our reports for 2012/13 is being presented to this Audit Committee. The findings of this report are summarised below.

Continuous Auditing (Q4 2011/12; April to July)

- This is the first quarters work performed with reference to the refreshed terms of reference and work programme presented to the Audit Committee in September. As a result of delays in finalising our work in relation to payroll, this report is in draft as at the date papers are required for the Committee; we will provide a verbal update as to whether any changes have been made following management comment on the report.
- We are pleased to note that there appears to have been an overall improvement observed across each of the process areas under review; with five of the six areas under review have rated green.
- Payroll has been assigned an amber rating, which is an improvement on the rating awarded in the prior period. Our work identified a total of four exceptions, two of which related to the processing of changes to employee standing data and two of which are in respect of the timely and proper performance of payroll reconciliations. No weaknesses were identified which are indicative of any system wide weaknesses as in the previous quarter.
- In line with the revised work programme for this work (presented to the September Audit Committee), this is the first quarter in which we have looked at controls over access to and review of the general ledger system. We understand that records are not maintained to evidence that appropriate authorisation has been obtained prior to an individual being granted access to the general ledger. A control design improvement in respect of this matter is noted.

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 30 September 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.
- Of the four recommendations followed up this quarter, three appear to have been fully implemented. The implementation date of the remaining recommendation has been revised to December 2012 and is currently in progress. We will report again on the status of this recommendation in the next quarter. Our detailed findings in respect of each recommendation considered this quarter are included in Appendix 2.

Other matters

- Work is well underway in respect of our 2012/13 programme. Our Capital Projects review is complete and currently being discussed with management, and we expect to bring this report to the next audit committee. Our Counter-Fraud review is due to commence on the week commencing 29 October 2012.

Recommendations

- That the Committee **notes** the progress made against our 2012/13 Internal Audit Operational Plan.
- The the Committee **comments** upon the continuous auditing report presented.
- That the Committee **notes** the annual opinion for 2011/12.

Appendix 1 - Progress against the 2012/13 operational plan

Included below is a summary of the current progress against the reviews in our 2012/13 operational plan. For each review, the days per the plan are shown, together with the actual days spent to date (shown in brackets).

Note that our operational plan for the year includes fifteen contingency days which have not yet been allocated and so are not reflected in the table below.

Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 1; August 2012 – October 2012											
Continuous Auditing of Key Financial Systems (May to July 2012)											
11 (11)	24/08/2012	27/08/2012	15/10/2012	23/10/2012	N/A	0	0	0	0	1	0
Capital Projects											
5 (4)	12/10/2012	15/10/2012	-	-	N/A	-	-	-	-	-	-
Management of Fraud Risk											
5 (1)	24/10/2012	29/10/2012	-	-	N/A	-	-	-	-	-	-
Quarter 2; November 2012 – January 2013											
TRAC Review											
3	-	-	-	-	N/A	-	-	-	-	-	-
Continuous Auditing of Key Financial Systems (August to October 2012)											
11	-	-	-	-	N/A	-	-	-	-	-	-
Risk Management											
9	-	-	-	-	N/A	-	-	-	-	-	-
Enterprise											
10	-	-	-	-	N/A	-	-	-	-	-	-
Quarter 3; February 2013 – April 2013											
Continuous Auditing of Key Financial Systems (November 2012 – January 2013)											
10	-	-	-	-	N/A	-	-	-	-	-	-
Key Information Sets											
10	-	-	-	-	N/A	-	-	-	-	-	-
Financial Forecasting											
5	-	-	-	-	N/A	-	-	-	-	-	-
Quarter 4; May 2013 – July 2013											
Continuous Auditing of Key Financial Systems (February – April 2013)											
11	-	-	-	-	N/A	-	-	-	-	-	-
Other											
16 (4)	Planning, contract management, reporting and Follow up										
2	Value for Money										
Total	109 (20)										

Appendix 2 - Results of Follow Up of Recommendations

Recommendation	Progress to date	Priority	Status	Further recommendation
1. Gifts and Hospitality Register– Bribery Act 2010				
<p>Prior to approval, edit access should be restricted to administrators and the individual making the declaration. The 'Version History' option should be made available so that any changes can be checked.</p> <p>Approvers should review the entry on the register and ensure they have appropriate levels of authority. Procurement should also review authorisation quarterly to check for appropriate sign-off.</p>	<p>Due to capacity issues within the ICT team the implementation date for this recommendation has been deferred to December 2012.</p> <p>We understand that a new ICT specialist has been employed by the University and work has commenced on making the necessary revisions to the register system</p>	High	In progress	Original recommendation remains valid
2. Risk assessment results – Bribery Act 2010				
<p>Given the large volume of capital works being carried out this should be considered as a risk area by management and mitigating controls put in place to ensure the risk is appropriately managed.</p>	<p>The risk register system has been updated to reflect this identified risk and mitigating controls put in place in this area.</p>	Low	Implemented	N/A
3. Risk Appetite – Risk Management				
<p>Management should define the University's risk appetite within the Risk Strategy.</p> <p>In addition, it is suggested that by defining a risk appetite there may be opportunity in the risk register to determine whether risk can be tolerated by the University.</p> <p>The TARA model - explained below - may be adopted to outline whether risks should be Transferred, Accepted, Retained or Avoided. This will clarify whether risks need to be mitigated and are controllable.</p>	<p>Management have developed a paper outlining their risk appetite, this is due to be presented to the Board of Governors for their review at the next meeting.</p>	Medium	Implemented	N/A
4. Deficiencies of the risk strategy – Risk Management				
<p>Management should include greater detail of procedures and roles and responsibilities in the Risk Management Strategy document, or a separate document to ensure that HEFCE guidelines are met.</p> <p>The strategy should be communicated effectively by ensuring that training created by finance is delivered to all new risk owners and refreshed where changes to the strategy occur</p>	<p>Management have reviewed their risk management strategy document against HEFCE guidelines and are satisfied that the current document outlines roles and responsibilities appropriately in line with this guidance.</p> <p>An email has been circulated to Heads of Department reminding them of their responsibilities</p>	Medium	Implemented	N/A

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2012 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.