

Meeting of the Group Audit and Risk Committee**Supplement 2: full internal audit reports**

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
9.	Internal audit report: health and safety	3 - 16	JS
10.	Internal audit report: finance systems review	17 - 32	RF

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LONDON SOUTH BANK UNIVERSITY

INTERNAL AUDIT REPORT - FINAL

HEALTH AND SAFETY REPORTING
SEPTEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate



LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	5
OBSERVATIONS	9
STAFF INTERVIEWED	9
APPENDIX I - DEFINITIONS.....	10
APPENDIX II - TERMS OF REFERENCE	11

DISTRIBUTION

Benjamin Baker	Health and Safety Manager
Ed Spacey	Director of Group Assurance
James Stevenson	Group Secretary



REPORT STATUS LIST

Auditors:	Elliot Croucher
Dates work performed:	01 June - 07 July 2021
Draft report issued:	11 August 2021
Final report issued:	x [Month] [20xx]






LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design		Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness		Evidence of non-compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		
Medium		 2
Low		 2

TOTAL NUMBER OF RECOMMENDATIONS: 4

BACKGROUND:

The Internal Audit Plan for 2020/21 included a review of Governance. Management requested that the review focused on the arrangements in place over health and safety reporting. Responsibility for overseeing health and safety activities within the University is assigned to the Group Health and Safety Joint Committee (GHSJC). The GHSJC is made up of key individuals from across the LSBU Group, including representation from LSBU, Students' Union, Lambeth College and Trade Unions.

The GHSJC meets at least once per term and provides decision making on health and safety issues across the Group. Local health and safety committees are held for schools/professional service groups (PSGs) in line with the reporting frequency of the GHSJC. There are a total of 20 local health and safety committees, from which local health, safety and wellbeing matters are escalated to the GHSJC when required.

Within the GHSJC report, received at each meeting, a general update is provided on the health and safety activities from across the University, this has been predominantly related to the University's handling of the Covid 19 pandemic across the last 18 months. The GHSJC report also includes updates on fire safety, incidents and accidents and wellbeing. A data dashboard is included as an appendix to the committee report, which summarises training completion rates, fire alarm activations and incidents occurring in the period.

London South Bank University (LSBU) reports all work-related accidents to the Health and Safety Executive (HSE) in line with the RIDDOR reporting requirements, and if a serious incident occurs the Board of Governors will be informed immediately in the form of a board update report.

LSBU uses the OSHENS safety management system to record all accidents and incidents occurring across the University. Lambeth College introduced OSHENS in Q2 2021 and the Health and Safety team is in the process of embedding the process. Accidents and incidents are recorded on OSHENS and assigned a severity rating which determines the internal and external reporting required. If an accident/incident is rated as serious, major or fatal an automated notification will be sent to the Health and Safety Manager and Vice Chancellor.

LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

The process for identifying, investigating and reporting health and safety incidents is outlined in the LSBU Group Investigation procedure.

In the 12 month period to June 2021 there were a total of 198 accidents/incidents and near misses recorded on OSHENS at LSBU, including one RIDDOR. Between January and December 2020 there were 124 fire alarm activations.

SCOPE AND APPROACH:

We held interviews with key staff involved in health and safety reporting and reviewed supporting documentation to establish the controls in place.

Our audit included a review of the role of the various committees and Board in health and safety governance. This included a review of the GHSJC terms of reference to establish the appropriateness of the committee membership and the GHSJC reports to verify the reporting is aligned to the requirements of the committee. We reviewed the last three Board of Governors' minutes to establish whether reporting of health and safety matters was appropriate.

We reviewed the last three GHSJC reports and minutes and selected a sample of three unresolved issues from local health and safety committees in each period to confirm whether the issues were adequately addressed at the Joint Committee, and the outcomes were noted in the meeting minutes.

In order to confirm the accuracy of committee reporting we reconciled the accident/incident source data from OSHENS to the information reported to the GHSJC. We sought to obtain explanations for any variances. This included a review of the last three Health, Safety and Resilience (HSR) dashboard summaries of health and safety data, to confirm whether the information is appropriate and contextualised in order to support oversight by the Joint Committee.

We undertook a walkthrough of the process for recording incidents and accidents on the OSHENS safety management system. This included consideration of the training and guidance provided to users and any inefficiencies of the system.

We reviewed all RIDDOR incidents since the 2019/20 period, and sought to confirm whether the incidents were reported to the Board and the HSE in a timely manner and in line with internal and external reporting requirements.

We reviewed the 2019/20 health and safety annual report to the Board to confirm whether key messages and information around health and safety matters are clearly communicated.

We undertook a benchmarking exercise, comparing the health and safety governance arrangements at LSBU to that of four universities. We sought to confirm whether the approach to health and safety reporting, including governance structure, aligns to the industry.

GOOD PRACTICE:

During the course of our review, we identified the following areas of good practice:

- The GHSJC provides robust oversight of health and safety activities across the University. The membership of the committee includes representation from a range of university departments.
- Unresolved issues raised at local committees are escalated to the GHSJC and Board when appropriate.

LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

- An automated email notification is sent immediately to the Health, Safety and Resilience team, Health and Safety Manager and Vice Chancellor when an accident/incident ranked as serious or above is submitted on OSHENS.
- We confirmed that for the three RIDDOR incidents occurring in the period under review, all were reported to the HSE in a timely manner and in line with reporting requirements.
- A health and safety annual report provides the Board with an overview of the health and safety activities in the period. The messages are clearly communicated through the report with the data being summarised by a dashboard appendix.
- The health and safety annual report includes LSBU accident reporting benchmarked against the University Safety and Health Association (USHA), to illustrate accident/incidents compared with other Higher Education Institutes.
- We confirmed that LSBU's approach to health and safety reporting, including the structure of local and Joint Committees, align to the four universities reviewed as part of the benchmarking exercise. This includes reporting of serious incidents and frequency of committee meetings.

KEY FINDINGS:

We have raised four findings; two of medium significance and two of low significance which relate to:

- There is no guidance around the definitions for the various severity levels within OSHENS.
- There are a number of schools/PSGs which did not submit a health and safety report to the GHSJC in the periods we reviewed.
- The breakdown of incidents/accident type was not provided to the GHSJC for the periods May to August and September to December 2020.
- The OSHENS incident/accident reports do not have the capability to filter by incident severity.

CONCLUSION:

We have provided moderate assurance over both the design and over the operational effectiveness of the controls in place, relating to the health and safety governance arrangements at LSBU.


OUR TESTING DID NOT IDENTIFY ANY CONCERNS SURROUNDING THE CONTROLS IN PLACE TO MITIGATE THE FOLLOWING RISKS:

- ✓ Inadequate oversight and monitoring of health and safety matters
- ✓ Health and safety related reporting is inaccurate, not contextualised or key messages and issues are not clearly communicated.

LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

DETAILED FINDINGS

RISK: SERIOUS HEALTH AND SAFETY RELATED INCIDENTS OR BREACHES ARE NOT REPORTED TO THE BOARD OR NOT REPORTED IN A TIMELY MANNER

Ref	Sig.	Finding
1		<p>There is no guidance around the definitions for the various severity levels within OSHENS.</p> <p>When the incident is recorded in OSHENS and ranked based on severity, the following severity ratings are used within the system:</p> <ul style="list-style-type: none"> · Minor · Serious · Major · Fatal <p>If the definitions within the staff guidance are not defined, there is a risk that incidents and accidents may be incorrectly recorded, based on each individual's interpretation, causing inappropriate action being taken to resolve potentially serious incidents. This may result in lack of internal investigation or reporting to external bodies.</p>

RECOMMENDATION:

Definitions, supported by examples, should be included within the OSHENS system as well as within the procedure.

LSBU should develop a formal guidance that outlines the incident/accident recording process, including severity definitions. The guidance should then be communicated to all staff.

MANAGEMENT RESPONSE:


We are currently in the process of developing a more comprehensive user guide for the OSHENS accident and incident reporting, outlining the incident/accident recording process, including severity definitions. HSR will communicate to all staff via the health and safety intranet page. However, definitions of severity levels are now included within the OSHENS system.

Responsible Officer: Head of Health Safety and Resilience

Implementation Date: 07/10/2021

LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

RISK: INAPPROPRIATE/INSUFFICIENT ESCALATION PROCESSES FOR HEALTH AND SAFETY RELATED ISSUES

Ref	Sig.	Finding
2		<p>Not all schools/professional service groups (PSGs) submit a health and safety report to each GHSJC as required.</p> <p>Local PSG health and safety committees are required to meet periodically and provide a health and safety update to the GHSJC in line with the GHSJC reporting schedule, in order to allow for effective oversight of health and safety activities and escalation of ongoing issues. However, we found:</p> <ul style="list-style-type: none"> • For the June 2020 meeting there were seven schools/PSGs that did not provide a health and safety report • For the October 2020 meeting there were four schools/PSGs that did not provide a health and safety report • For the February 2021 meeting there were two schools/PSGs that did not provide a health and safety report to the GHSJC. <p>It is noted that in advance of the October 2020 meeting all four did hold a health and safety committee meeting. However, no feedback or reporting was received by the GHSJC. This was also the case for both of the schools/PSGs in the February 2021 meeting.</p> <p>Marketing and Communications failed to provide health and safety reporting information to the GHSJC in all three periods. Research and Enterprise, Technical Support Services, School of Business, School of Arts and Creative Industries and Internationalisation failed to provide health and safety reporting in two of the three meeting period reviewed.</p> <p>If local health and safety committees fail to provide regular updates on health, safety and wellbeing matters, the GHSJC may not have appropriate information to provide effective oversight of University wide health and safety activities. This may result in local issues not being appropriately escalated and resolved in a timely manner.</p>

RECOMMENDATION:

Local health and safety committees should be reminded of the importance of holding periodic committee meetings and providing an update report to the GHSJC in line with the Joint Committee reporting schedule.

Responsibility for coordinating the reporting should be formally assigned.

MANAGEMENT RESPONSE:


All members of GHSJC and Chairs of Local Committees to receive notification of this audit requirement, and a formal co-ordinator to be assigned from membership of GHSJC.

Responsible Officer: Director of Group Assurance

Implementation Date: 07/11/2021

LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

RISK: HEALTH AND SAFETY RELATED REPORTING IS INACCURATE, NOT CONTEXTUALISED OR KEY MESSAGES AND ISSUES ARE NOT CLEARLY COMMUNICATED.

Ref	Sig.	Finding
3		<p>The breakdown of incidents/accident type was not provided within the HSR data dashboard for the periods May to August and September to December 2020.</p> <p>We noted that within the GHSJC reporting for the January to April 2020 period, the accidents/incidents reported were categorised by the following types:</p> <ul style="list-style-type: none"> · Dangerous occurrence (RIDDOR defined) · Near miss · Student injury · Work-related injury <p>There were two incidents reported in the May to August period and seven reported in the September to December period, none of which were categorised by incident type. We confirmed that none of these incidents were RIDDORs. The Health and Safety Manager confirmed that the breakdown of incident type and location was not included in these period due to the low number of incidents/accidents occurring. Without a clear breakdown of the type of incidents/accidents experienced in the period, there is a risk that the GHSJC is unable to identify trends in the incidents and opportunities to identify root causes based on themes may be missed. This may result in avoidable reoccurrence of accidents/incidents across the University. This will become increasingly important as students and staff return to campus and incident/accident cases rise.</p>

RECOMMENDATION:

The Health and Safety Manager should ensure that the incident/accident data reported in the HSR dashboard provides a clear breakdown of the type of incidents occurring in the period, including accident/incident location.

MANAGEMENT RESPONSE:


A breakdown of the type of incident, including accident/incident location, will be included in all the future GHSJC reports. It was not provided on these occasions due to the low number of incidents when onsite campus use was very limited

Responsible Officer: Head of Group Health, Safety and Resilience

Implementation Date: 07/11/2021

LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

RISK: INAPPROPRIATE/INSUFFICIENT ESCALATION PROCESSES FOR HEALTH AND SAFETY RELATED ISSUES

Ref	Sig.	Finding
4		<p>There are a number of inefficiencies with the reporting from OSHENS. Within the OSHENS incident/accident reports, there is no option to filter by severity. A manual review of each line of the accident/incident report is required in order to prepare the data for GHSJC reporting.</p> <p>Currently, the report produced from the safety management system includes data fields for the incident type, date, description, location, owner and immediate cause, but not incident severity.</p> <p>Without complete reporting of accident/incident severity to the GHSJC and board, there is a risk that there may be ineffective oversight of incident occurrences across the University. Inefficient reporting from OSHENS creates a greater workload for the Health and Safety Manager, and manual checks of source data may result in human error.</p>

RECOMMENDATION:

Management should liaise with the OSHENS system administrator to update the reporting capabilities to include incident severity and align the system to the reporting requirements. This should be used to categorise the accidents/incidents reported to the GHSJC within the HSR dashboard.

MANAGEMENT RESPONSE:

The Head of Group Health Safety and Resilience will confirm with the OSHENS system administrator if it is possible to include incident severity as part of the reporting requirements. If possible, incident severity will be included when categorising the accidents/incidents reported at the next GHSJC meeting.

Responsible Officer: Head of Group Health Safety and Resilience

Implementation Date: 07/11/2021

LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

OBSERVATIONS

GHSJC REMIT

We identified two matters reported to the GHSJC which were escalated from local committee level (out of nine sampled) that did not fall within the scope of GHJC oversight.

The two issues reported related to the health and wellbeing of staff working remotely due to the pandemic and the University's decision on the approach in the case of a Covid 19 outbreak in the halls of residence. We confirmed with the Director of Group Assurance that these matters were addressed at various other Covid response working groups, and therefore were not necessary for GHSJC reporting.

If issues are inappropriately reported to the GHSJC there may be an increased administrative burden of recording actions and outcomes that are not within the scope of the GHSJC oversight.





STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.




Benjamin Baker	Health and Safety Manager
Ed Spacey	Director of Group Assurance

LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of the audit is to provide assurance over the controls the University has in place over its health and safety reporting.

KEY RISKS:

- Inadequate oversight and monitoring of health and safety matters
- Inappropriate/insufficient escalation processes for health and safety related issues
- Serious health and safety related incidents or breaches are not reported to the Board or not reported in a timely manner
- Health and safety related reporting is inaccurate, not contextualised or key messages and issues are not clearly communicated.

SCOPE OF REVIEW:

Governance and monitoring arrangements for health and safety related matters by the Health and Safety Joint Committee and Board

Escalation channels for serious incident, breaches and underperformance including responsibilities for decision on what should be escalated

Reporting of serious incidents and breaches to the Board and timeliness of this reporting

Quality and accuracy of health and safety related reporting.

LONDON SOUTH BANK UNIVERSITY, HEALTH AND SAFETY REPORTING

APPROACH:

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

We will review the roles of the Health and Safety Joint Committee, Exec and Board in relation to health and safety governance and oversight to establish whether these are clear and whether health and safety reporting requirements have been defined to align with these roles. We will then establish whether reporting aligns to these requirements.

We will establish whether there are clear escalation channels in place where health and safety related incidents, breach and issues occur and whether the decision making processes are appropriately assigned. We will review a sample of incidents to establish whether escalation was required and assess whether the process was followed.

We will establish the controls in place for reporting serious incidents and breaches to the Board and timeliness of this reporting. This will be tested through incidents and breaches that have occurred and through a review of health and safety related reports including incident reports to identify if such instances have been reported to the Board.

We will review the level and quality of reporting that takes place to assess whether commentary and key messages in reports align to performance data and whether reporting is contextualised. We will also assess whether the controls in place to generate accurate and timely health and safety related reports are robust. Our detailed testing around accuracy of reporting will focus the health and safety reporting in relation to accidents and incidents. However, under the other scope areas, will include other serious health and safety issues (such as fire safety).

ADDED VALUE:

Benchmark the University's health and safety reporting arrangements against a sample of other universities.

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LONDON SOUTH BANK UNIVERSITY

INTERNAL AUDIT REPORT - FINAL

LSBU FINANCE SYSTEM REVIEW
SEPTEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate



LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	6
STAFF INTERVIEWED	10
APPENDIX I - DEFINITIONS.....	11
APPENDIX II - TERMS OF REFERENCE	12

DISTRIBUTION

Natalie Ferer	Group Financial Controller
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REPORT STATUS LIST

Auditors:	Elliot Croucher and Kiran Kang
Dates work performed:	24 May - 09 July 2021
Draft report issued:	16 August 2021
Final report issued:	22 September 2021

LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design		Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness		Evidence of non compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		
Medium		 3
Low		

TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

As a result of the cyber incident that occurred in mid-December, management requested a review that focused on the controls the University had in place to maintain accounting records, record receipts and make payments during the period that the Finance system (Agresso) was unavailable, and the controls in place to bring the Finance system up-to-date once reinstated.

Due to the incident, the University lost access to Agresso and the HR/payroll system, iTrent (amongst other systems). The University was unable to maintain normal accounting and payroll records from 13 December 2020 to March 2021. LSBU put a recovery programme in place to outline the key tasks for supporting the reinstatement of the finance system. This included the key tasks for restoring systems and financial information, with the target completion date, responsible officer and completion checklist.

Since reinstatement of the finance system, work has been ongoing to bring the records up-to-date and clear the backlog of supplier invoices, and to complete the invoicing of students who enrolled in January 2021. At the time of our fieldwork, this work was still ongoing due to the large backlog of supplier invoices and resourcing constraints in the Finance team.

During the system outage, the Finance team operated a manual cashbook for monitoring payments and receipts. Within this period payments were made from the Barclays online banking system, with approvals required through DocuSign. The total value of payments made to suppliers during the Finance system outage was approximately £11m, of which there was around £22k of overpayments.

Management made the decision to pay staff based on their November pay in the December and January periods, before processing the payroll through iTrent in February, when the system was reinstated. Due to the number of hourly paid lecturers operating at LSBU, there were overpayments made to staff during December and January, of which £85k remained outstanding at the time of our audit. The total unrecovered overpayments to staff was £33k at the year-end. Recovery of overpaid salaries was made by offsetting the overpaid amount against future payments. This approach was communicated to all staff in December 2020.

LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

Overpayments of leavers' salaries were recovered by contacting the former employee directly and requested repayment of the overpaid amount.

Payments made to new starters during December and January were made at 65% of the monthly salary. Leavers' final pay was calculated manually, based on the timing of their last day. The rationale for the final pay for leavers is recorded in the overpayments schedule. Once iTrent was reinstated, the Payroll team identified any overpayments and recoveries were made.

Management accounts for January and February 2021 were not produced due to the Finance system outage. The accounts for March and April 2021 were generated from Agresso, and were based on the balances from the November 2020 period end. The management accounts are prepared by the Head of Financial Planning & Reporting and reviewed by the Director of Planning and Reporting. The accounts are collated into a readable format with a narrative included to explain key movements and variances, before being reported to the Financial Planning and Reporting Committee.

SCOPE AND APPROACH:

We held interviews with key Finance staff involved in managing the day-to-day operations during the finance system outage, and reviewed supporting documentation to establish the controls in place to reinstate the finance system.

We reviewed the manual cashbook to assess whether it was appropriate and allowed Finance to effectively manage manual payments. This included data analytics to identify the total value and date of unposted transactions.

We reviewed a sample of 20 manual payments made during the system outage to confirm whether they had been authorised appropriately and made to legitimate suppliers.

We reviewed the seven duplicate payments made to suppliers and checked whether appropriate actions had been taken to recover the overpayment.

For a sample of three new starters, we sought to confirm whether they had been paid in line with the internally agreed approach, of paying 65% of the monthly salary. For a sample of three leavers, we reviewed the final pay calculations to establish whether they were appropriate.

Through interviews with the Head of Payroll and Pensions we identified the process for recovering salary overpayments to existing staff and leavers. For a sample of five leavers we checked whether appropriate action was taken to recover the overpaid salaries.

We reviewed a sample of control account reconciliations undertaken in April 2021, to confirm whether appropriate steps have been taken to reconcile the finance system once reinstated, and any variances had been identified and explained. Specifically we reviewed accruals, deferred income and fixed assets.

We held interviews with the Head of Financial Accounting and Financial Controller to confirm LSBU's approach to bringing the finance system up-to-date and ensure financial records are accurate. This included reviewing the finance highlight reports to confirm whether there was a plan in place and progress was being tracked. We reviewed the month end checklist to verify whether it is appropriate to Finance staff complete key period end activities.

We undertook a walkthrough of the process for financial reporting. This included a review of the March and April 2021 management accounts to verify whether there had been segregation in preparation and review. We also sought to confirm whether appropriate narrative was provided to the accounts to explain the variances and other issues associated with the system outage.

LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

GOOD PRACTICE:

During the course of our review, we identified the following areas of good practice:

- A manual cashbook was used to record transactions during the finance system outage. The cashbook was used to identify manual payments and receipts to be posted to the finance system.
- We confirmed that for the sample of manual supplier payments made, all were approved appropriately in line with the delegated authority.
- Salary overpayments are being recovered by offsetting the overpaid amount against future periods pay. For the sample of overpayments made to leavers, we confirmed appropriate action was being taken to recover the overpaid amounts.
- A recovery timetable was in place including key tasks, with the target completion dates and responsible officers.
- Highlight reports were produced bi-weekly to outline the approach to reinstating the finance system and the financial records, which included an action plan and status updates.
- We confirmed that for the sample of control accounts, there had been a reconciliation completed in the first month that the finance system had been reinstated. There was segregation in the preparation and review of the reconciliations, and any variances identified were explained.
- We confirmed financial reporting was carried out in a timely manner and with segregation in the preparation and review of the management accounts for the periods after recovery of the Finance system. We confirmed for the management accounts reviewed, there was narrative provided and variances were explained.

KEY FINDINGS:

We have raised three findings; all of medium significance.

- There were £17.4m un-posted payments and £96.4m un-posted receipts on the manual cashbook as at the time of our fieldwork. The un-posted payments and receipts were £1.8 and £1.7m respectively at year-end.
- There is an overstatement of income in the May 2021 management accounts of approximately £2m.
- The month-end checklist document is limited in detail. It is unclear which individuals actually completed and reviewed the task in the period.

CONCLUSION:

We have provided moderate assurance over the design and operational effectiveness of the controls in place, relating to the controls the University had in place to make payments (to staff and suppliers) during the period the Finance system was unavailable and the controls in place to bring the Finance system back up-to-date following reinstatement.

OUR TESTING DID NOT IDENTIFY ANY CONCERNS SURROUNDING THE CONTROLS IN PLACE TO MITIGATE THE FOLLOWING RISKS:

- ✓ Payments made to starters/ leavers during the outage period were inaccurate
- ✓ Over/under payments made to staff are not recovered/ corrected
- ✓ Closing balances prior to the system outage have not been reinstated/ opening balances in the finance system checked for accuracy


LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

- ✓ Lack of planned approach to bringing the finance system up-to-date leading to duplicate records/ gaps in records being posted
-

LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

DETAILED FINDINGS

RISK: DUPLICATE SUPPLIER PAYMENTS HAVE BEEN MADE AND/OR PAYMENTS HAVE BEEN MADE TO SUPPLIERS FOR GOODS/SERVICES NOT RECEIVED

Ref	Sig.	Finding
1		<p>There are a number of un-posted payments and receipts within the manual cashbook, with the oldest relating to December 2020.</p> <p>We reviewed the manual cashbook as at the date 21 May 2021 and identified the following un-posted items.</p> <p><u>Payments</u></p> <p>There were £17.4m un-posted payments recorded on the cashbook. Of the total un-posted payments, £15m related to payments received within the last month. The remaining balance of £2.4m related to un-posted payments made in the period since the finance system outage from 13 December 2020 to 21 April 2021.</p> <p>We confirmed that at the year-end (31 July) the total unposted figure was £1.8m, £250k of which related to payments made during the system outage.</p> <p><u>Receipts</u></p> <p>There were £96.4m un-posted receipts recorded on the cashbook. Of the total un-posted receipts, £51.7m were received in the last month. The remaining balance of £44.7m related to un-posted receipts from the period since the finance system outage.</p> <p>We confirmed that at the year-end (31 July) the total unposted figure was £1.7m, £318k of which related to receipts during the system outage.</p> <p>If there are un-posted items on the manual cashbook that have not yet been recognised in the finance system, there is a risk that the management accounts will be misstated due to incorrect data within the system. The risk of inaccurate financial information is increased for those un-posted balances dating to more than a month old, as they relate to prior periods.</p>

RECOMMENDATION:

Management should undertake an analysis of the un-posted items in order to prioritise the posting of the most historical items, and those of the highest value.

Once posted, the cashbook should be updated to reflect the posting date and individual responsible. This will allow for future queries to be more easily addressed and actions tracked.

MANAGEMENT RESPONSE:

We have now posted almost all transactions that occurred during the IT outage. Prior difficulties with identifying and reconciling bank transactions continue and a large number of transactions relating to student receipts and refunds have been moved to a control account where they are being investigated further. The manual cashbook continues to be maintained as a useful tool for recording when bank transactions have been posted to Agresso. The balance on the control account at the year-end was £221k.


LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

Responsible Officer: Financial Processing Team

Implementation Date: September 2021

LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

RISK: MANAGEMENT ACCOUNTS PRODUCED IN MARCH AND APRIL WERE INACCURATE NOT USEFUL AS RECORDS WERE NOT UP-TO-DATE.

Ref	Sig.	Finding
2		<p>There is an overstatement of income in the May 2021 management accounts of approximately £2m.</p> <p>We identified a £10m variance in income, whereby actual income was 7% greater than the budgeted level. The Head of Planning and Reporting confirmed that this variance of actual to budget is predominantly due to student withdrawals and therefore refunds not yet being processed on the system. There has been a delay in reinstating QL, therefore at the time of our review the withdrawals since the system outage were not accounted for.</p> <p>If the management accounts are not accurately reported, this may materially affect the financial reporting and impact the operational and strategic decision making across the University.</p>

RECOMMENDATION:

The Fees, Bursaries and Central Enrolment team should prioritise the reinstatement of QL V4 and integration with Agresso to ensure student records are up to date and the correct information is being used to feed the finance system.

MANAGEMENT RESPONSE:


By year-end income was posted to Agresso in line with student records and this is reflected in the full year management accounts.

Responsible Officer: Fees and Bursaries and Income Team

Implementation Date: Complete

LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

RISK: LACK OF PLANNED APPROACH TO BRINGING THE FINANCE SYSTEM UP-TO-DATE LEADING TO DUPLICATE RECORDS/ GAPS IN RECORDS BEING POSTED

Ref	Sig.	Finding
3		<p>The month-end checklist document is limited in detail. It is unclear which individuals actually completed and reviewed each task in the period.</p> <p>The month-end task reconciliation and checklist should be aimed to improve the efficiency and timeliness of tasks getting completed. It should also act as a tracking document for the LSBU Finance team to keep track of their postings for each month, and to ensure that each individual is fulfilling their responsibilities at month-end.</p>

RECOMMENDATION:

More detail should be included within the columns of the month-end checklist document to ensure certain tasks are being prioritised and being completed by their target date. Detail to include should be:

- Target date for task to be completed
- Actual date task is completed
- Completed by (this should be initialled every month)
- Reviewed by (this should be initialled every month).

In addition to above, a traffic light system could be utilised to highlight the importance of each of the tasks (for example, red - highest priority)

MANAGEMENT RESPONSE:

It is agreed that the month end task and reconciliation check list should monitor the completion and timeliness of completing the month end routines that the team undertake. It should also ensure that figures used for producing management accounts are accurate and is an important tool for detecting fraud and misstatement.

Although there are columns for who usually completes each task, we will add detail to show the actual person who completes each task each month. In addition, we will add a field to evidence the final review by the Head of Financial Accounting or a suitable delegate.

The addition of a traffic light system to prioritise tasks is a useful suggestion which we will trial.

Responsible Officer: Head of Financial Accounting

Implementation Date: 30 September 2021

LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW





STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.




Loretta Audu	Financial Accountant
Sally Black	Head of Financial Accounting
Anna Conway	Head of Financial Planning and Reporting (Schools and Research)
Natalie Ferer	Group Financial Controller
Joe McGarrity	Head of Payroll and Pensions
Janet Richardson	Accounts Payable
Ralph Sanders	Group Director of Financial Planning & Reporting
Rebecca Warren	Head of Financial Accounting

LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of the audit is to provide assurance over the controls the University had in place to make payments (to staff and suppliers) during the period the Finance system was unavailable and the controls in place to bring the Finance system back up-to-date following reinstatement.

KEY RISKS:

- Duplicate supplier payments have been made and/or payments have been made to suppliers for goods/services not received
- Payments made to starters/ leavers during the outage period were inaccurate
- Over/under payments made to staff are not recovered/ corrected
- Closing balances prior to the system outage have not been reinstated/ opening balances in the finance system checked for accuracy
- Lack of planned approach to bringing the finance system up-to-date leading to duplicate records/ gaps in records being posted
- Management accounts produced in March and April were inaccurate not useful as records were not up-to-date.

SCOPE OF REVIEW:

The following areas will be covered as part of this review:

- Controls over payments made to suppliers during the system outage
- Controls over the processing of starters and leavers through the payroll during the system outage
- Controls over the reconciliation of the payroll and identification and collection of overpayments/ corrections relating to underpayments
- Processes to check closing and opening balances in the finance system
- Controls over bringing the finance system back up to date including:
 - Reconciliation of creditors and processing of supplier invoices
 - Reconciliation of debtors, recognition of income (sales invoices, direct, QL and KX) and receipting of income against debtor balances
 - Posting of key journals such as payroll, depreciation, deferred income and accruals
 - Completion of control account reconciliations and investigation of differences
- Management accounts preparation accuracy and usefulness.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

LONDON SOUTH BANK UNIVERSITY, LSBU FINANCE SYSTEM REVIEW

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

We will review the controls the University had in place to pay staff and suppliers during the finance system outage to assess whether they were appropriate. This will include assessing how the University ensured it made payments to legitimate suppliers and for goods/services actually received. We will also assess the controls over payroll including the processing of starters and leavers.

We will review the processes the University has gone through to reconcile the actual payments due to staff in the December 2020 and January 2021 against what was paid to them. We will also assess whether there has been appropriate actions taken to recover overpayments and pay underpayments.

We will assess whether there were appropriate processes in place to check closing balances prior to the system outage have been brought forward to and correlate to the opening balances in the reinstated finance system.

We will review the controls the University has in place for bringing the finance system back up-to-date including roles and responsibilities for doing this and prioritisation of tasks and how it ensured that transactions have not been missed or duplicated. We will assess whether there were appropriate controls over the manual cashbook in place or whether teams were holding their own separate records.

We will also review the management accounts produced in March and April and impact on accuracy and usefulness whilst the finance system was still being brought up-to-date.

We will assess whether control account reconciliations have been completed and if differences have been investigated.

FOR MORE INFORMATION:

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