

**Imperial College Union**

**Finance and Risk Committee**

Wednesday 19 June 2019

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| **AGENDA ITEM NO.** | Item 13 (a) |
| **TITLE** | Internal Audit Report and Recommendations |
| **AUTHOR** | Malcolm Martin |
| **EXECUTIVE SUMMARY** | The annual Internal Audit review took place at the end of March 2019. An initial and comprehensive response was presented to the May 2019 Board by the Managing Director which covered a significant range of issues from the role of bar operations manuals, procurement processes, stock control, health and safety to financial controls and standard operating procedures.  The full report previously been circulated to all board members contained 10 recommendations, one of which is deemed high priority. This recommendation has been addressed and additional checks have been put in place by the Finance Team. |
| **PURPOSE** | Provide assurance of how effective the management control systems are. |
| **DECISION/ACTION REQUIRED** | For discussion |

**Background and Context**

An independent and objective review of management control systems is undertaken each year by KPMG an external professional accountancy partnership. The objective is to provide a level of assurance of how effective the control system is operating along with any insights that can be provided to Trustees.

Ahead of the planning stage of this year’s review, management wanted to ensure that not only would significant scrutiny be applied to traditional areas of risk, but that the scope of the review would extend into areas of process which were not fully developed.

This approach would yield the potential of gaining significant benefit from the 5-day review process as the Union would not only gain assurance about its current practise but also gain assistance with developing areas of work practise, benefiting from the experience of an established consultancy firm.

The scope of the review looked at three areas including Cash handling being a traditional area, Business Planning and Business Cases, being two developing areas.

**Findings**

The attached report makes 10 recommendations, 1 high, 4 medium and 5 low. The report on page 7 explains what these ratings mean:

*High priority (one):*

*A significant weakness in the system or process which is putting you at serious risk of not achieving your strategic aims and objectives*

*Medium priority (two):*

*A potentially significant or medium level weakness in the system or process which could put you at risk of not achieving your strategic aims and objectives*

*Low priority (three):*

*Recommendations which could improve the efficiency and/or effectiveness of the system or process, but which are not vital to achieving the Union’s strategic aims and objectives.*

The single high priority level 1 recommendation has been quickly responded to and has been completed as well as 4 out of the remaining 9 recommendations. The other items are being systematically being worked through.

A detailed action plan was shared with the May Board along with the progress made. The report looked at wider operational issues and themes for which resources have been identified. The planning and budgeting process has identified key staff roles which will enhance the procurement process (Commercial Administrator) and embedded effective controls (Systems Manager) that will increase the possibility of generating additional income.

Conclusion

The audit review this year was more rigorous than previous years and the Union will enhance its control environment by implementing all the recommendations.