



# Student Union

Imperial College  
Internal Audit 2016-17

May 2017

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**Status of report**

Discussion draft issued	8 May 2017
Management responses received	26 May 2017
Final report issued	30 May 2017
Presented to Audit Committee	15 June 2017

**Distribution**

To (for action):	CC (for information):
<ul style="list-style-type: none"> <li>— Jarlath O'Hara (Managing Director)</li> <li>— Malcolm Martin (Head of Finance and Resources)</li> </ul>	<ul style="list-style-type: none"> <li>— John Neilson, Secretary and Registrar (Provost Board Sponsor and PEG Sponsor)</li> </ul>

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# Executive summary

## Conclusion

We have reviewed the processes in place at Imperial College Union (“the Union”) for the implementation of the Electronic Point of Sale (EPOS) system, including cash, banking and stock management. We have also reviewed the risk management processes at a strategic and operational level. Overall, we identified that processes are well managed and operating effectively. A total of seven recommendations have been raised, a number of which relate to issues already known to the Union which we have raised for tracking purposes. Of these seven recommendations, three have been given a priority two rating and four a priority three rating. As this is a value for money review we have not issued an assurance rating.

Our review of the EPOS system implementation process identified that the process was well managed, with regular review of project plans, involvement from key personnel and adequate testing of the system prior to “go live”. However, we identified that there is an ongoing issue around stock reconciliations for the bars which is currently being investigated by the Union. This is an issue already known to the Union and in the process of being resolved. We are also aware of other issues since the EPOS system went live which are currently under review with Orbis Tech, the third party provider appointed to assist with the migration of data to the new systems. These issues are kept in a log by the Project team and currently being worked through.

A lessons learnt activity has not yet been carried out by the Union for the implementation of the EPOS system, nor have the Union considered which areas this will cover. We have provided a lessons learnt framework in appendix four of this report as a guide for management when undertaking a lessons learnt activity, which can also be used for any future projects undertaken.

Cash, banking and stock management processes are well managed with controls operating effectively. We were able to trace cash received across a sample of four days through to banking for both Union retail outlets and two Union bars (one using the EPOS system one using the College’s system). We also confirmed that stock management processes, including daily and weekly line checks and twice monthly external stock reconciliations were being undertaken across Union bars. Whilst already undertaking a yearly stock reconciliation, plans are in place to undertake regular “mini stock checks” at both retail sites. The frequency and commencement date of these checks should be agreed by the Retail Manager.

We reviewed the Union’s strategic risk register and confirmed a number of key points have been included on the register. However the effectiveness of controls in place and the net and residual risk ratings against each risk have not been recorded in line with the Union’s risk appetite. In addition, the strategic risk register has not been aligned to the newly approved strategy. This is also the case for operational risk registers, where registers have not been reviewed and aligned to operational plans. The Union are aware of this issue and plans are in place to ensure this is done.

In addition, we have raised a number of priority three recommendations including the recording and monitoring of stock and cash variances and obtaining a further breakdown of cash and card transactions for end of shift reconciliations at Union bars.

## Background

The Imperial College Union ‘the Union’ is a charity which operates in order to give students a voice at Imperial College London. It has specific objectives around enhancing the student experience and building a student community. The Union generates circa £8 million of income per annum and has over 300 clubs, societies and projects. It operates three bars, two retail sites as well running events for local clubs and societies.

In February 2017 the Union rolled out a new electronic point of sale system (EPOS) to enhance its control environment and as well as to improve customer service. As part of the system roll out it is important that the change process was effectively managed, adequate testing was performed and that clear, measurable, business objectives were established from the outset. In addition it is critical that the Union has adapted its control framework in light of the new system to ensure there are robust controls in place, but also to eliminate any superfluous controls which may no longer be relevant.

In 2016 the Union undertook a large exercise to refresh its strategic risk register which has been approved by the Board of Trustees. As part of this process there was significant consultation undertaken with the Board of Trustees and the Risk Committee. Alongside this the Union Strategy 2017-2020 was launched earlier this year. In addition, to refreshing the strategic risk register the Union has taken steps to further embed risk management at a local level within the clubs and societies.

## Section one

# Executive summary (cont.)

We have performed audits over the Union over the past two year and in both year substantial assurance with minor improvements required. Overall, we have found that the Union has a strong financial control environment, however it is been on a journey to improve its risk management practices.

### Objectives

The objectives of our review were:

Objective	Description of work undertaken
<b>Objective One</b> EPOS implementation	We have reviewed the processes underpinning the new EPOS system implementation, including: <ul style="list-style-type: none"><li>the governance arrangements in place;</li><li>how legal and regulatory requirements have been considered and managed;</li><li>the projects plans in place, including the phasing of the system rollout and testing undertaken;</li><li>how feedback has been obtained and built into upgrades; and</li><li>ensuring that the data has been appropriately migrated to the new system.</li></ul> In this objective we have focussed on lessons that can be used for future projects as well as improvements which can be made to the current project.
<b>Objective Two</b> Control evaluation	We have reviewed the design and operating effectiveness of key controls across a four locations (post the implementation of the EPOS system) including: Cash handling and banking; and stock management
<b>Objective Three</b> Risk management	We have reviewed risk management arrangements in place. This has included <ul style="list-style-type: none"><li>Review of the processes for developing the strategic risk register;</li><li>Review of the register format and template;</li><li>Review of action plans/risk analysis forms for severe risks to ensure actions are being taken;</li><li>An assessment as to whether the tolerance score attributed to a sample of risks, reflect management's appetite for that risk; and</li><li>Review the risk management arrangements in place at the local level (e.g. club level) and how these risks are evaluated and fed into the strategic risk register when necessary.</li></ul>

### Areas of good practice

- ✓ A project team was formulated to oversee the implementation of the EPOS system, which included a Project manager, members of the Finance team and end users of the system.
- ✓ A Project Implementation Plan was put in place and monitored by the Union, with weekly project highlight reports presented to the senior management group.
- ✓ Cash, banking and stock management processes are well managed across the Union. We were able to trace cash received across a sample of four days through to banking for both Union retail outlets and two Union bars.
- ✓ A strategic risk register is in place and includes a number of key items. Our review of each risk and discussions with the Finance team identified that the impact and likelihood ratings applied to each risk are appropriate given the risk in question. The Strategic risk register is monitored regularly by the Finance and Risk Committee and the Board.

### Areas for improvement

- Since the implementation of the new EPOS system there are currently some issues around the stock reconciliation process for bars. **(See Recommendation 1)**
- The strategic risk register does not include the effectiveness of controls in place or the net and residual risk ratings against each risk. In addition, the register has not been aligned to the Union's current strategy. **(See Recommendation 2)**

## Section one

# Executive summary (cont.)

- There is currently no process in place to monitor the completion of risk assessments on Eactivities at club level. In addition, whilst operational risk registers are in place these have yet to be aligned to service areas' operational plans. **(See Recommendation 3)**

Four priority three recommendations have also been raised where controls can be further strengthened. **(See Recommendations 4-7)**

### Recommendations

We summarise below the recommendations raised as a result of our review

	High	Medium	Low	Total
<b>Made</b>	0	3	4	<b>7</b>
<b>Accepted</b>	0	3	4	<b>7</b>

### Acknowledgement

We thank the staff involved in this review who helped us complete our work.

# Recommendations

This section summarises the recommendations that we have identified as a result of this review. We have attached a risk rating to these recommendations as per the following table:

Risk rating for recommendations raised		
<p><b>1 High priority (one):</b> A significant weakness in the system or process which is putting you at serious risk of not achieving your strategic aims and objectives. In particular: significant adverse impact on reputation; non-compliance with key statutory requirements; or substantially raising the likelihood that any of the College's strategic risks will occur. Any recommendations in this category would require immediate attention.</p>	<p><b>2 Medium priority (two):</b> 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. In particular, having the potential for adverse impact on the College's reputation or for raising the likelihood of the College's strategic risks occurring.</p>	<p><b>3 Low priority (three):</b> Recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the College's strategic aims and objectives. These are generally issues of good practice that the auditors consider would achieve better outcomes.</p>

No.	Risk	Recommendation	Management response, officer responsible and deadline
1	2	<p><b>Recording of Stock – Union Bars</b></p> <p>The new EPOS system automatically calculates the stock levels at bars, however variances have been identified on external stock takes for certain products. As such manual stock reconciliations are still being performed until the issues are resolved.</p> <p>We recommend that the Union continue to investigate the root causes of the stock variances. Once the root cause of the issues are identified an appropriate process improvement should implemented or system solution developed.</p>	<p>There have been significant variances noted by our external stock taker on certain products, we have confirmed that the Orbis system is accurately recording sale and stock data and therefore we need to investigate the root cause.</p> <p>The Union will continue to investigate the root cause to unexpected variances and implement an appropriate solution or processes.</p> <p><b>Responsible Officer:</b></p> <p>Paul Buckley, Head of Student Experience and Services and Malcolm Martin, Head of Finance and Resources</p> <p><b>Due date:</b></p> <p>31 August 2017</p>

## Recommendations (cont.)

No.	Risk	Recommendation	Management response, officer responsible and deadline
2	2	<p><b>Strategic Risk Register</b></p> <p>Our review of the current strategic risk register format and its latest review identified the following exceptions:</p> <ul style="list-style-type: none"> <li>the effectiveness of controls is not been recorded.</li> <li>The net and residual risk ratings for each risk have not been determined in line with the Union's risk appetite.</li> <li>An exercise to align the risk register to the new strategy has not yet been undertaken.</li> </ul> <p>We recommend that the Union:</p> <ul style="list-style-type: none"> <li>Review the revised strategy alongside the strategic risk register and ensure all key strategic risks have been captured.</li> <li>Review the operating effectiveness of each control recorded on the register. A Red/Amber/Green rating could be applied to each control measuring its operating effectiveness.</li> <li>Apply a net and residual risk rating to each risk on the register, and determine whether risk ratings are in line with the risk appetite of the Union.</li> </ul>	<p>The current strategic risk register has been developing over the last twelve months following active engagement and comments from the Board and Finance and Risk Committee. We acknowledge that the original format is no longer ideal in particular with regard to the new strategic plan and demonstrating residual risk given existing mitigations.</p> <p>All the recommendations will be implemented.</p> <p><b>Responsible Officer:</b></p> <p>Malcolm Martin, Head of Finance and Resources</p> <p><b>Due date:</b></p> <p>31 July 2017</p>
3	2	<p><b>Local risk management processes</b></p> <p>Our review of the risk management processes at club level and the processes for reviewing operational risk registers identified:</p> <ul style="list-style-type: none"> <li>Whilst clubs are required to complete an annual risk assessment on Eactivities, there is currently no clear oversight or monitoring in place of which clubs have and have not completed their annual risk assessments.</li> <li>Operational risk registers are in place for each service area however these registers have not been reviewed against service areas' operational plans.</li> </ul> <p>The Union is currently aware of these limitations and are working to resolve. We recommend that the Union:</p> <ul style="list-style-type: none"> <li>Implement processes to ensure the annual completion of club risk assessments is monitored. Given the large number of clubs in place we acknowledge the challenge this presents. As such Management should clearly define what risk category clubs fall under (high, medium, low) and consider how best to monitor the completion and content of annual risk assessments in each category. This should also include monitoring of individual trip risk assessments for potential high risk clubs.</li> <li>Review operational risk registers against current operation plans and ensure this activity is periodically undertaken in line with a review of operational plans.</li> </ul>	<p>With regards to Clubs risk management:</p> <ul style="list-style-type: none"> <li>We will review processes and implement updated online system to ensure submission and completion of risk assessments by clubs is monitored effectively and reported periodically to SMG and stakeholders as necessary.</li> <li>We will define risk categories for clubs and activities (e.g. high, medium, low) and recommend and implement a procedure for effective training, monitoring and quality assurance of risk assessment in each category.</li> <li>We will review and monitor all trips and tours risk assessments for high risk clubs and activity.</li> </ul> <p>2017/18 draft operating plans have been formulated and are currently undergoing final revisions as part of the budget review process. Once finalised in June 2017, the operational risk registers will be updated and then periodically reviewed by the Finance and Risk Committee during 2017/2018.</p> <p><b>Responsible Officer:</b></p> <p>Paul Buckley, Head of Student Experience and Services and Malcolm Martin, Head of Finance and Resources</p> <p><b>Due date:</b></p> <p>31 May 2018</p>

## Recommendations (cont.)

No.	Risk	Recommendation	Management response, officer responsible and deadline
4	3	<p><b>Recording and monitoring of variances – Union Bars</b></p> <p>Testing of the banking and stock management practices in place across Union bars identified the following exceptions</p> <ul style="list-style-type: none"> <li>Whilst the cash variances identified at both Union bars (covering both the EPOS and College systems) tested had been outlined, the explanation provided was not always clear for a total of three days tested, and sometimes just stated the variance amount.</li> <li>Our review of the nightly and weekly line checks undertaken at both Union bars (using both EPOS and College systems) identified that whilst checks had been undertaken for a sample of days tested, variances identified had not been clearly explained and followed up.</li> </ul> <p>The variance amounts identified were not deemed significant, however, we recommend that the Union:</p> <ul style="list-style-type: none"> <li>Clearly record the reasoning for any variances between system reports and cash collected on the yellow strips/cash reconciliation reports sent to Finance.</li> <li>Ensure that records are updated when variances are resolved.</li> <li>Ensure that variances identified during line checks are clearly outlined and a reasoning is provided and recorded next to the variance.</li> </ul>	<p>A new end of day online reconciliation process is currently being introduced which highlights any cash variances. Having investigated the variance, the manager will be prompted to record a reason within the system if the variance cannot be resolved, which will be verified by the Finance team.</p> <p><b>Responsible Officer:</b></p> <p>Malcolm Martin, Head of Finance and Resources</p> <p><b>Due date:</b></p> <p>31 July 2017</p>
5	3	<p><b>Lessons Learnt Activity</b></p> <p>Discussions with the Project team identified that a lessons learnt activity has not yet been carried out as the EPOS system has not been fully implemented. Once fully implemented a lessons learnt activity will be carried out however the extent of this, including areas of coverage, have not yet been determined.</p> <p>We recommend that the Union</p> <ul style="list-style-type: none"> <li>Discuss and agree an appropriate time to undertake a formal lessons learnt review of the EPOS system implementation.</li> <li>Ensure that all relevant persons are involved in the lessons learnt activity, including members of the project team and end users of the EPOS system.</li> <li>Consider the areas of coverage the lessons learnt review will include. An example of a lessons learnt framework has been provided in appendix four of this report for managements consideration.</li> </ul>	<p>The Union is awaiting two outstanding items from the EPOS supplier, these will be completed by 31 May 2017.</p> <p>A Lessons Learnt Activity has been planned for after this date. The Systems Manager will provide a written report to the Union Board and Senior Management Group.</p> <p><b>Responsible Officer:</b></p> <p>Malcolm Martin, Head of Finance and Resources</p> <p><b>Due date:</b></p> <p>31 July 2017</p>



## Recommendations (cont.)

No.	Risk	Recommendation	Management response, officer responsible and deadline
6	3	<p><b>Shift reconciliations – Union Bars</b></p> <p>From our testing of the cash and banking processes at SK Bar, we identified that the EPOS system till receipts do not clearly distinguish between cash and card totals, or provide a breakdown of the transactions, rather provided a total collected across both card and cash amounts. We are aware that functionality is available within the system, however its use is currently documented.</p> <p>We recommend that the bars and commercial services team take full advantage of system reports available for the end of shift reconciliations and that support is submitted alongside the reconciliations.</p>	<p>The Union will ensure that Commercial Services Teams attach appropriate printed receipt reports to documentation.</p> <p><b>Responsible Officer:</b></p> <p>Malcolm Martin, Head of Finance and Resources</p> <p><b>Due date:</b></p> <p>31 July 2017</p>
7	3	<p><b>Mini stock checks – retail outlets</b></p> <p>The Retail Manager stated there are plans in place to undertake “mini stock checks” across the year at both the Union’s retail stores. However these have yet to be finalised, nor has the frequency of these checks been confirmed.</p> <p>We recommend that the Union</p> <ul style="list-style-type: none"> <li>• Confirm the frequency of the mini stock checks and when the checks will begin.</li> <li>• Implement procedures outlining how the checks will be carried out (e.g. on a sample of stock or across high sale stock items) and responsible officers for completing the stock checks.</li> <li>• Retain evidence of stock checks completed, including the recording and following up of any significant variances identified.</li> </ul>	<p>Monthly mini stock takes will be implemented every month excluding July, when our full annual stock take is done.</p> <p>They will be completed on a random department and supplier basis, with a different supplier or department checked each month, and not repeated within the same financial year.</p> <p>They will be entered and recorded via Orbis and any necessary follow-up adjustments will be undertaken.</p> <p>Evidence will be kept within the Orbis system for the benefit of the audit trail and paper copies will also be kept in the Union Shop.</p> <p><b>Responsible Officer:</b></p> <p>Paul Buckley, Head of Student Experience</p> <p><b>Due date:</b></p> <p>31 May 2018</p>

# EPOS Implementation

We have reviewed the processes in place for the implementation of the Union's new EPOS (Electronic Point of Sale) system, which was rolled out in February 2017 across Union bars and retail outlets. As part of this we have reviewed the governance structures, legal requirements, project plans, implementation & data migration process and lessons learnt. Details of our findings can be seen in the table below.

Area of assessment	Process	Detailed findings
Governance	<ul style="list-style-type: none"> <li>A project team was formulated to oversee the implementation of the Electronic Point of Sale (EPOS) system</li> <li>The project team reported to the Senior Management Group (SMG) and the Union Board</li> </ul>	<ul style="list-style-type: none"> <li>✓ The project team included an assigned project manager, the Finance Manager and Union Bar and Retail Managers, thus ensuring all end users of the system were involved in the implementation process.</li> <li>✓ The Senior Management Group met on a regular basis, up to weekly, during the implementation stage.</li> <li>✓ The Board set the initial budgets for the project.</li> </ul>
Legal	<ul style="list-style-type: none"> <li>The Union checked card payment providers' compliance with the Payment Card Industry Data Security Standard (PCI DSS)</li> </ul>	<ul style="list-style-type: none"> <li>✓ We confirmed that the necessary checks have been undertaken across the Unions payment providers to ensure they are PCI compliant.</li> <li>✓ The Union have recently entered into a new card acquirer agreement with Barclaycard. The PCI provisions have been noted and discussed under the agreement and will be monitored against a set of measures by the Union.</li> </ul>
Project Plans and system rollout	<ul style="list-style-type: none"> <li>A Project Implementation Plan (PIP) was put in place and monitored by the Union</li> <li>Weekly project highlight reports were presented to the SMG.</li> <li>Test systems were received in January and tested by the Project team</li> <li>The EPOS system went live in February 2017.</li> </ul>	<ul style="list-style-type: none"> <li>✓ We obtained a copy of the PIP and confirmed the plan was sufficiently detailed. The PIP included the aims and objectives of the project, a link to the Union's strategy, project outcomes, implementation schedule, financial information and key milestones.</li> <li>✓ We reviewed a sample of four SMG meetings held and confirmed project highlight reports had been presented. Highlight reports included an overview of the current status of the project, project issues and risks, and stakeholder activity.</li> <li>✓ The Union received test units in January which were tested with bar and retail staff and managers. Issues were raised regarding the layout and configuration of the screens and alterations were made before the final units were delivered.</li> <li>✓ The system was originally scheduled to "go live" in January 2017 however due to a lack of resources at the third party supplier this was pushed back to February 2017.</li> <li>✓ The Board approved a budget of around £78,000 with annual maintenance costs of around £8,500. A saving of around £21,000 was made overall on the project. The Finance team stated that this was due to the budgeted figures being based on historic costs which turned out to be cheaper based on a competitive tendering process.</li> </ul> <p style="text-align: right;"><i>(continued overleaf)</i></p>

# EPOS Implementation (cont.)

Area of assessment	Process	Detailed findings
Data Migration (Stock data)	<ul style="list-style-type: none"> <li>• A third party supplier, Orbis Tech, were appointed by the Union to carry out the data migration process</li> <li>• A data migration timetable was put in place by the Union and agreed with the third party</li> <li>• Stock data across the Union's two retail sites were extracted and sent to Orbis Tech, who imported the data onto the new EPOS system.</li> <li>• On the day of "go live", the imported stock into the new EPOS system was checked against the data originally sent to Orbis Tech from the old system by the Project team.</li> </ul>	<ul style="list-style-type: none"> <li>✓ We obtained a copy of the data migration timetable and confirmed it was sufficiently detailed, with key stages and timescales in place to ensure data was migrated completely.</li> <li>✓ We obtained a copy of the stock data across the Union's two retail sites, which included the data originally sent to Orbis Tech (from the old system) and stock data extracted from the new EPOS system on the day of "go live". For a sample of 20 high volume stock items across both retail sites we confirmed that in all 20 cases the stock levels agreed and therefore the data has been successfully migrated.</li> <li>✓ The previous system used by Union bars was unable to capture stock levels and as such no stock data was migrated across to the new EPOS system. The only data migrated across included spirit and other drink types and prices which were built into the old system.</li> <li>✓ As part of our testing in objective two we identified errors in which stock information is being captured on the EPOS system for Union Bars. Please see objective two for further information.</li> </ul>
Lessons learnt		<ul style="list-style-type: none"> <li>▪ Discussions with the Project team identified that a lessons learnt activity has not yet been carried out as the EPOS system has not been fully implemented. Once fully implemented a lessons learnt activity will be carried out however the extent of this, including areas of coverage, have not yet been determined. A template lessons learnt framework can be seen in appendix four of this report. <b>(Recommendation Five)</b></li> </ul>

# Cash, banking and stock management testing

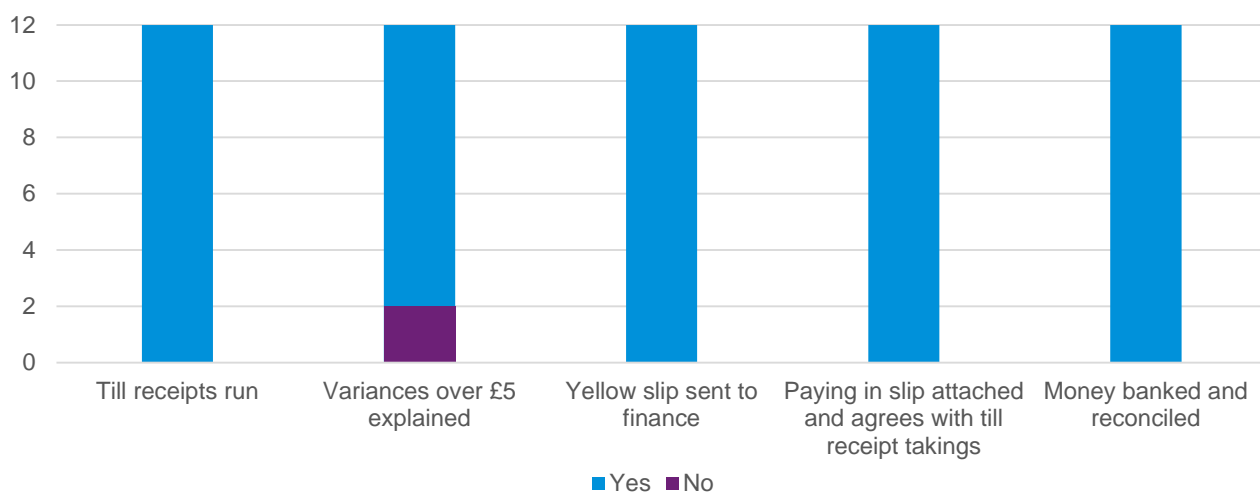
We have reviewed and tested the key controls in place regarding cash, banking and stock management across two Union retail outlets and one Union bar (all currently using the EPOS system). We also reviewed and tested the key controls for a Union bar who are not using the new EPOS system rather were using a system used by the College. Details of our findings can be seen in the tables and graphs below.

## Cash and banking - Retail Outlets and Union Bar (EPOS system)

Controls tested

- 1) Till receipts are run from the EPOS system showing the cash takings and reconciled to cash collected in the tills.
- 2) Any variances between cash in hand and till receipt totals over £5 are investigated by the Manager on shift and an explanation provided.
- 3) Till receipts are attached to a yellow slip which is filled in by the Retail Manager on shift, indicating the total cash to be banked. These slips are sent to Union Finance to check.
- 4) Paying in slips are attached to yellow slips indicating the total amount banked across each till.
- 5) Finance reconcile the cash received in the bank account as part of their monthly bank reconciliation

For a sample of four days across each site (12 days in total) we tested compliance with the above controls. Details can be found in the graph below.



### KPMG summary of findings

#### Retail

- ✓ Across both retail sites, till receipts had been run for all eight days tested and yellow slips completed and sent to the Union’s Finance team.
- ✓ In all cases tested appropriate explanations had been provided to explain any variances between cash counted and the till receipt totals. .
- ✓ We confirmed the cash amounts entered onto the yellow slips agreed with the amounts banked as per the paying in slip for all eight days. We also traced the amounts through to the bank statements indicating money had been banked appropriately.

#### Bar

- ✓ Till receipts had been run for all four days tested and yellow slips completed and sent to Union Finance.

*(continued overleaf)*

# Cash, banking and stock management testing (cont.)

## KPMG summary of findings (cont.)

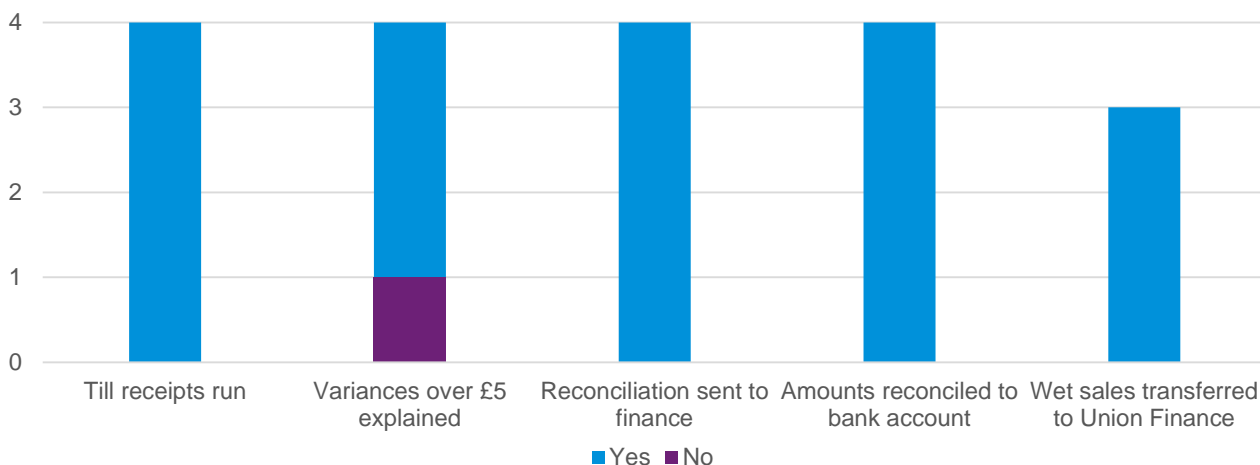
- Whilst variances had been outlined on the yellow slips where appropriate, the explanation provided was not always clear for two days tested, and sometimes just stated the variance amount. In addition, there was no evidence to suggest variances had been rectified. It should be noted that these amounts, whilst over the £5 limit, were not significant; however a recommendation will be raised to rectify this. **(Recommendation Four)**
- Unlike the retail outlets, the shift reconciliation reports do not clearly distinguish between cash and card totals, or provide a breakdown of the transactions, rather provided a total collected across both card and cash amounts. Whilst these totals were reconciled to amounts banked we were unable to obtain a breakdown of cash amounts to check against the paying in slips. **(Recommendation Six)**

### Cash and banking – Union Bar (non EPOS)

We reviewed the cash and banking controls in place at H-Bar, who currently use the college's till systems and not the EPOS system. H-Bar therefore liaise with the College's finance team as opposed to the Unions to undertake their banking. Income received from food is kept by the College, however income received from drink (wet) sales is transferred to the Union on a weekly basis along with a breakdown of the wet sales totals from the system, which are reconciled to the bank statements by the Union's Finance team.

The following controls were tested.

- 1) Till receipts are run from the system showing the cash takings and reconciled to cash collected in the tills.
- 2) Any variances between cash in hand and till receipt totals over £5 are investigated by the Manager on shift and an explanation provided.
- 3) Till receipts are attached to the complete cash reconciliation and sent to the College Finance team, including the paying in slip number references.
- 4) The College Finance team reconcile the cash received in the bank account as part of their monthly bank reconciliation.
- 5) Wet sales income is transferred to the Union on a weekly basis and a system breakdown of wet sales recorded for the week is provided to the Union's Finance team to reconcile.



(continued overleaf)

# Cash, banking and stock management testing (cont.)

## KPMG summary of findings

- ✓ For all four days tested we evidenced a copy of the cash reconciliation being sent to Finance along with a copy of the till receipts. Amounts were traced accurately through to paying in slips and the bank account.
- For one day tested a variance had not been clearly explained and followed up. The variance had been recorded on the cash reconciliation and so was identified by the Manager at the time, however a clear explanation or follow up of the variance had not been undertaken. It should be noted that this amount, whilst over the £5 limit, was not significant; however a recommendation will be raised to rectify this. **(Recommendation Four)**
- For a sample of three weeks we evidenced the total wet sales figures being provided to the Union's Finance team through running reports from the system. For all three weeks the wet sales totals agreed to the amounts transferred to the Union's bank account.

### Stock Management – Retail Outlets

Through discussions with the Retail Manager, the following stock management controls were identified across both Union retail outlets.

- Annual stock checks are undertaken by the Retail Managers/Staff across both retail sites. The latest check was undertaken in July 2016 (under the old till system) with the next stock check due in July 2017.
- Monthly stock adjustment reports, run from the EPOS system, are sent to the Union's Finance team showing any variances in stock as per the EPOS system and stock in store.
- Plans are in place to undertake "mini stock checks" across the year however these have yet to be finalised by the Retail Manager, nor has the frequency of these checks been confirmed. Whilst the Union are aware of this, a recommendation will be raised for tracking purposes. **(Recommendation Seven)**

Our testing of the above controls identified the following.

- ✓ We confirmed a stock check was undertaken in July 2016, prior to the implementation of the new EPOS system. This was done across both retail sites with an overall stock variance of around £500. This was not deemed a significant variance by the Retail Manager given the total value of the total stock in hand. The next stock check, which will be undertaken through running EPOS system reports and reconciling to stock in store, is due in July 2017.
- ✓ We confirmed that monthly stock adjustment reports had been sent to the Union's Finance team for a sample of two months (February and March 2017). Adjustments included stock which had been written off (either damaged or expired) and wastage.

### Stock Management – Union Bar (EPOS)

Through discussions with the Bar Manager, the following stock management controls were identified.

- An external supplier undertakes a stock check twice a month through running a sales report from the EPOS system showing all sales since the previous stock check and reconciling this to the stock in store.
- Weekly line checks are undertaken by the Bar staff on a sample of high sale items.
- Monthly stock adjustment reports are sent to the Union's Finance team

Our testing of the above controls identified the following

- ✓ For a sample month, March 2017, we confirmed that stock checks had been undertaken by the external supplier. Since the new EPOS system was implemented, there have been some issues in how stock information is captured on the system. Please see slide 15 for further information.
- We confirmed that line checks had been undertaken for a sample of two weeks in March 2017 and details recorded on an excel spreadsheet. Whilst no significant variances were identified, explanations for variances are currently not recorded on the spreadsheet. **(Recommendation Four)**

*(continued overleaf)*

# Cash, banking and stock management testing (cont.)

- ✓ We confirmed for a sample month (March 2017) that a stock adjustment report had been sent to the Union's Finance team. The included stock adjustments due to spillage and wastage.

### Stock Management – Union Bar (Non - EPOS)

Through discussions with the Bar Manager, the following stock management controls were identified.

- Nightly line checks are undertaken by the Bar Manager on shift of a sample of high sale items.
- Stock checks are undertaken on a monthly basis by an external supplier and a report provided to the Bar Manager

Our testing of the above controls identified the following.

- ✓ For a sample of five days tested we confirmed that nightly line checks had been undertaken, details of which were recorded in an excel spreadsheet.
- Whilst no significant variances were identified from the days tested, explanations for variances are currently not recorded on the spreadsheet. **(Recommendation Four)**
- ✓ We obtained a copy of the external supplier stock take report for March 2017 and confirmed a detailed stock check was undertaken. The overall variance percentage was -0.3%, which is not deemed significant (an overall variance of up to 0.5% is not deemed significant).

### Recording of Stock – Union Bars (EPOS)

We reviewed the external supplier stock reports across the two Union bars using the EPOS system (one bar tested as part of this appendix and the additional Union Bar which also uses the EPOS system). A sample stock report for each bar was reviewed, one from February and one from March 2017. The overall variance percentages were 0.8% and 1.8% respectively, both over the 0.5% variance limit. We were informed that these variances highlight the issues with the way stock is recorded on the EPOS systems at Union bars. A recommendation will be raised to ensure the issue is resolved. **(Recommendation One)**

# Risk Management

We have reviewed the risk management arrangements in place across the Union, both at a strategic and operational level. Details of our findings can be seen below.

## Strategic Risk Register

We obtained a copy of the strategic risk register which was last formally reviewed at the Board away day in 2016. The strategic risk register was formulated through review of the Union's strategy and discussions with the Board. An extract of the register has been outlined below along with our commentary on the design, layout and review of the register.

Strategic Risk			
Failure to recognise, adapt or respond to the changing environment and dynamics of our membership or the College resulting in lower levels of engagement with the Union's services and reduced relevance.			
Impact			
Impact	High	Likelihood	Low
<ul style="list-style-type: none"> <li>Reduction in funding from College</li> <li>Loss of reputation within the sector and wider community</li> <li>Reduction in legitimacy in student decisions on committees</li> </ul>			
Controls			
Existing		To be implemented	
<ul style="list-style-type: none"> <li>Ongoing consultation and dialogue with students through focus groups, representative systems and internal and external surveys</li> <li>Relevance of our electoral processes</li> <li>Understanding the make-up of our membership through data analysis</li> </ul>		<ul style="list-style-type: none"> <li>Horizon Scanning (ongoing; to be discussed at monthly SMG)</li> <li>Regular discussions with College to identify shared risks (ongoing)</li> <li>Ensuring a presence is at every campus (ongoing)</li> </ul> <p><b>Update 1 October 2016</b></p> <ul style="list-style-type: none"> <li>Horizon scanning at staff development day 12 September (report o/s)</li> <li>Discussion to be held at each Board of Trustees meeting on emerging macro/strategic issues</li> </ul> <p><b>Update 1 February 2017</b></p> <ul style="list-style-type: none"> <li>Action plan from staff development to be circulated by 28 February</li> </ul>	
SMG responsibility - Jarlath O'Hara			

KPMG commentary
<ul style="list-style-type: none"> <li>✓ A total of 11 strategic risks have been included on the strategic risk register. Each risk contains a number of key points including the impact and likelihood rating, consequences, existing and current controls and a responsible officer.</li> <li>✓ Our review of each risk and discussions with the Finance team identified that the impact and likelihood ratings applied to each risk are appropriate given the risk in question.</li> <li>✓ The strategic risk register is presented to, discussed and reviewed at the Finance and Risk Committee and Trustee Board meetings. We confirmed this through examination of a sample of Finance and Risk Committee minutes (12 October 2016 and 25 January 2017) and Board minutes (27 October 2016 and 1 February 2017).</li> </ul> <p style="text-align: right;"><i>(continued overleaf)</i></p>



## Risk Management (cont.)

## KPMG commentary (cont.)

- ✓ Our review of the risks recorded on the register identified that all risks had been recently reviewed and the “to be implemented” section of the risk had been updated in line with the frequency of the Finance and Risk Committee and Board meetings.
- Whilst the register includes the controls in place to mitigate risks, the effectiveness of these controls has not been recorded on the register. In addition, the net and residual risk ratings for each risk have not been determined in line with the Union’s risk appetite. **(Recommendation Two)**
- When the original risk register was formulated the risks were aligned to the strategy in place at the time. The union’s strategy has since been reviewed and updated, however an exercise to align the risk register to the new strategy has not yet been undertaken. We were informed by the Head of Finance and Resources that this will be completed by June 2017. As part of this, management should review if there are any additional risks affecting the achievement of key strategic objectives which have not yet been included on the strategic risk register. **(Recommendation Two)**

## Local Risk Registers

We have analysed the processes in place for reviewing operational risk registers and the risk management processes at club level across the union.

## KPMG commentary

- ✓ Each club within the Union is required to complete a risk assessment on an annual basis. Details of this are recorded on Eactivities, a storage system used by the Union, which is monitored by the Student Experiences and Services team.
- ✓ More frequent risk assessments may be completed for a specific trip or activity undertaken by a club. These are formulated and reviewed as part of the approval process for each trip.
- ✓ We confirmed for a sample of five clubs that risk assessments had been completed on the EActivities system in the last 12 months. We also obtained a sample of three risk assessments completed for trips and confirmed they were sufficiently detailed. Trip risk assessments outlined the activities to be undertaken as part of the trip and listed a number of potential risks split into various categories (Health, personal injury, environmental etc.). Each risk was given an impact and likelihood rating and had compensating controls recorded against them.
- There is currently no clear oversight in place of which clubs have and have not completed their annual risk assessments. We acknowledge the challenge in monitoring this due to the high volume of clubs (over 300 across the Union). Management should clearly define what risk category clubs fall under (High, medium, low) and consider how best to monitor the completion and content of annual risk assessments. This should also include monitoring of individual trip risk assessments for potential high risk clubs. **(Recommendation Three)**
- Operational risk registers are in place for each service area however these registers have not been reviewed against service areas’ operational plans. This is due to be undertaken by each service area and a member of the Senior Management Group, with an expected completion date of December 2017. A recommendation will be raised for tracking purposes. **(Recommendation Three)**

# Lessons learnt framework

In the table below we have documented 14 key areas for project success. The Union should evaluate the lessons learnt from the EPOS system project against the criteria below, and ensure that a mechanism is in place for sharing key themes in order to help support future projects. The criteria below can also be used during the planning and delivery stages of any future projects.

Key project success factors	Items for consideration
Benefits	<ul style="list-style-type: none"> <li>Were the benefits of the project clearly outlined and communicated to all relevant officers, including members of the project team and end users?</li> <li>Was a post project benefits realisation exercise undertaken to determine whether all intended benefits had been achieved?</li> </ul>
Business Case	<ul style="list-style-type: none"> <li>Was the scope of the project clearly defined; outlining the project goals, deliverables, features, tasks, deadlines and costs?</li> <li>Were the necessary approval processes of the business case followed?</li> </ul>
Change	<ul style="list-style-type: none"> <li>Was the reason for change embedded and communicated across the Union?</li> <li>Was the accountability and leadership of change assigned and an appropriate change management programme implemented?</li> </ul>
Communications	<ul style="list-style-type: none"> <li>Was a communications strategy adopted providing relevant and timely information to all stakeholders?</li> <li>Were appropriate communication links set up after the project had been rolled out to ensure end users can raise and discuss any issues or concerns?</li> </ul>
Technical capacity	<ul style="list-style-type: none"> <li>Was there appropriate technical capacity within the team to support and deliver the project?</li> <li>Was a technical migration plan put in place and delivered to schedule?</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Was an appropriate project structure put in place to manage the delivery of the project and post project delivery?</li> <li>Was there adequate scrutiny by staff to ensure adequate delivery of a project and in line with the business case?</li> <li>Was there regular oversight of the key milestones and project completion dates?</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>Was a tender evaluation process put in place to ensure the preferred bidder's proposal complied with requirements and meet service needs?</li> <li>Did the tender evaluation include all financial, technical and legal aspects?</li> </ul>
Programme and Project Management	<ul style="list-style-type: none"> <li>Was a clear and detailed business case to support the implementation of the project clearly outlined?</li> <li>Was a detailed project plan put in place and approved, covering all stages of the project, activity milestones, and the intended timeframes for each stage?</li> <li>Were project plans regularly revised and updated throughout the project with explanations provided for overruns or project delays?</li> </ul>
Risk	<ul style="list-style-type: none"> <li>Were project risks identified and mitigating controls put in place in line with the organisations risk appetite?</li> <li>Were risks regularly reviewed and updated throughout the project, including project slippage?</li> </ul>

(continued overleaf)

# Lessons learnt framework (cont.)

Key project success factors	Items for consideration
Resourcing	<ul style="list-style-type: none"> <li>Was a resource plan put in place identifying all stages of the project and the required level of resource, taking into account any technical skills or knowledge required? Was this continually updated throughout the project lifecycle?</li> <li>Were budgets allocated for each resource required and consideration given to any additional resource required and how this may impact budgets?</li> <li>Were day to day roles backfilled (where appropriate) to ensure day to day operations were sustained?</li> </ul>
Roles and Responsibilities	<ul style="list-style-type: none"> <li>Were roles and responsibilities clearly outlined and defined for all relevant stakeholders involved in the project?</li> <li>Were accountable officers and groups identified to ensure accountability and oversight by individuals with appropriate levels of experience and skill?</li> </ul>
Stakeholders	<ul style="list-style-type: none"> <li>Were all key stakeholders identified and involved throughout the project to ensure stakeholder buy in?</li> <li>Was a stakeholder analysis undertaken to ensure all relevant stakeholders were considered?</li> </ul>
Training	<ul style="list-style-type: none"> <li>Did all project staff have the required knowledge, skills and training to undertake their duties?</li> <li>Was a training plan derived to ensure all project end users were provided with the required training to fulfil their roles?</li> </ul>
Value for Money	<ul style="list-style-type: none"> <li>Was the initial costing of the project clearly articulated and any potential savings highlighted?</li> <li>Was costing reviewed regularly throughout the project timeline and a post project costing analysis undertaken to ensure the total cost of the project has been recognised and assessed against the project benefits?</li> </ul>

A recommendation has been raised to ensure the above framework is used to assess the lessons learnt of the EPOS system implementation project, and also used for any other projects where necessary. **(Recommendation Five)**

# Staff involvement and documents reviewed

We held discussions with the following staff as part of the review:

Name	Job title
Jarlath O'Hara	Managing Director
Malcolm Martin	Head of Finance and Resources
Paul Buckley	Head of Student Experience & Services
Edmund Burke	Finance Manager
Mat Robinson-Burt	Systems Manager
Asher Forrester	Bar Manager
Robert Smith	Retail Manager
Dan Green	Bar Manager
Paul Gallagher	Licensed Trade Manager
Sas Rhodes	Events and Conference Manager
John Dinnewell	Administration Support Manager
Matt Bowman	Social Enterprise Manager
Rachel Blythe	Deputy President Finance & Services

During our testing, we reviewed the following documents:

- EPOS system project implementation plans
- Data migration timetable
- Example Finance and Risk Committee and Board minutes
- Strategic Risk register
- Example risk assessments completed at club level
- Cash, banking and stock management records for a sample of days/months across 4 locations



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