



Students' Union

Imperial College
Internal Audit 2019-20
—
January 2020

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Status of report

Discussion draft issued	22 January 2020
Management responses received	TBC
Final report issued	TBC
Presented to Audit Committee	20 February 2020

Distribution

To (for action):	CC (for information):
— Julia Mattingley – Head Of Commercial Services	— Malcolm Martin – Head of Finance and Resources
— Neha Gandhi – Finance Manager	
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Section one

Executive summary

Conclusion

We reviewed the controls in place for managing payroll, cash and stock within the Union and the processes for monitoring and reporting of financial performance against budget. The Union has made progress in strengthening the control environment for handling cash and sales in its retail and bar settings, with increased security put in place and access to process voids restricted to supervisors, though this has not yet been effective in reducing the level of voids as anticipated. There are mostly effective control environments in place for managing payroll and stock systems and budget monitoring controls enable oversight to be provided to the financial performance of the Union, though the clarity of information available for the Finance and Risk Committee could be enhanced. This is a value for money review and therefore we have not provided an assurance rating for this review.

There is a well designed process for providing budget reporting during the year both for management and the Board of Trustees. Following the preparation of the monthly financial position budget statements are made available to budget managers who are required to provide commentary to explain key variances. Follow up meetings are held between the Finance Manager and the budget holders to review variances and consider actions to be taken in response.

A financial reporting pack is prepared on a monthly basis, which is distributed to the Senior Leadership Team and then to trustees electronically for review and comment. The Finance and Risk Committee reviews the financial performance at its meetings four times a year and is a sub-committee of the Board of Trustees, chaired by a lay member. The Finance and Risk Committee currently receives every monthly management accounts pack at its meetings, meaning meetings will receive three similar packs separately for each month at its meetings, as well as receiving detailed cost centre budget statements for each month. There are therefore opportunities to streamline the reporting to provide a single, consolidated report focused on the key elements of financial performance and understanding key variances. Current financial reporting does not include a cash flow forecast to support monitoring of liquidity requirements.

Cash controls have been strengthened following our 2018-19 internal audit. Reconciliations were consistently performed of the amounts held in tills compared to the amounts that were expected and increased control over the processing of voids has been introduced by restricting the ability to void a transaction to supervisors. Reporting is now undertaken of levels of voids incurred on a regular basis, though we noted that this has not yet achieved the anticipated reduction in void levels. Management have been reviewing the causes of voids and introducing additional controls to help prevent some of the causes, such as printed price lists so that transactions are not commenced and then voided in order to check prices. We performed a count of the balances held within till floats at the time of our audit and the value held within each float matched the expected level.

Additional stock controls have recently been introduced to increase the assurance available over the accuracy of recorded stock quantities. There are restrictions on the managers that are authorised to be able to place orders for stock for the retail stores and the bars. All orders are required to be signed to confirm that they have been received by a manager and the invoice for the goods also signed by the manager to confirm that it is appropriate to pay. Additional stock counts are being undertaken in both the bars and shops. Weekly checks are performed of samples of items to verify the stock held and on a monthly basis an external organisation is used to complete a full stock take. There are known historic issues with cost data held within the stock system, which has caused stock to be incorrectly valued. This has subsequently been rectified by the system supplier. We also identified a number of stock items recorded as having negative quantities when reviewing the most recent stock report. We understand these are mostly caused by deliveries being accidentally receipted against the wrong product on the system.

There are appropriate payroll controls in place to require authorisation from a manager prior to changes being made to employee salary details, including the recruitment of new joiners, amendments to salaries and removing leavers from the payroll. Claims for hours worked by casual staff and expenses of volunteers and other staff are processed using the eActivities system and require approval by an authorised manager. While guidance is in place on the process for claiming expenses and the evidence that is expected to be submitted when making a claim there is not a clear guidance included as to areas that would not be considered acceptable to claim as part of expenses.

Section one

Executive summary

Background

The Imperial College Union (“the Union”) is a charity which operates in order to give students a voice at the College. It has specific objectives around enhancing the student experience and building a student community. In 2017-18 the Union generated £9.6m of income, including a £1.7m block grant from the College, £3.7m from social enterprise and £2.9m from student activities.

As at May 2019 the Union was forecasting a full year financial performance of a £0.3m deficit on its operations, £0.3m adverse to the break even budget that was set for the 2018-19 financial year. The adverse variance was driven by income being lower than had been planned. While overall income has remained the same it had been projected that increases in income would be achieved following investments in additional resource. The main area of income shortfalls was in bar and catering income, which has reduced by 13% from the income in 2017-18, with the largest reduction being in sales at the main Union Bar. Staff costs make up approximately 60% of the Union’s expenditure and have increased to £3.3m in 2018-19. Pay costs in the year were underspent by £0.1m as a result of not recruiting into new positions as promptly as had been anticipated.

As part of our 2018-19 internal audit plan we reviewed the controls relating to cash handling, financial planning and business cases. We raised one high priority and four medium priority recommendations relating to the use of supervisor access codes, reconciliations of tills within the Union’s bars, cash float count procedures, the development of a medium term financial plan aligned to the strategy time period and the information to be provided within business cases. We also raised five low priority recommendations.

Objectives

The objectives of our review were:

Objective	Description of work undertaken
Objective One Payroll	We reviewed the design of controls established to ensure that payments made to staff members are accurate and appropriate and only made to genuine members of staff. We considered: <ul style="list-style-type: none"> • Controls for adding new employees to the payroll; • Controls for amending the salary paid to staff members; • Controls to ensure that payments are stopped on a timely basis when staff leave the Union; • Controls for approving and processing expenses; • Controls to review the payroll prior to processing in order to identify whether there are any errors in the amounts to be paid; and • Controls for identifying and reclaiming any salary overpayments processed. For each of the controls identified we performed sample testing in order to assess whether the controls have operated consistently during the year to date.
Objective Two Budget reporting	We assessed the controls in place for the monitoring of performance against budget and identifying actions to be taken in order to mitigate adverse variances. We assessed: <ul style="list-style-type: none"> • The information made available to budget holders to enable review of their financial performance; • The engagement between finance and budget holders in order to assess the causes of any adverse variances and the actions to be taken to mitigate them; • The development of forecasts in order to assess the expected financial performance for the remainder of the year; and • The reporting to the Finance and Risk Committee and the Board Of Trustees of financial performance and the forecast for the year.

Section one

Executive summary

Objective	Description of work undertaken
<p>Objective Three Stock management</p>	<p>We assessed the processes for ensuring that an appropriate amount of stock is held and that an accurate record of stock is held within the accounting system. We considered:</p> <ul style="list-style-type: none"> • Thresholds for ordering so that an efficient amount of stock is held; • Controls for ordering and receipting stock to ensure purchases are appropriately approved and recorded; • Controls to maintain the accuracy of standing data within the stock system, such as catalogue prices to ensure they are consistent with amounts being paid; • Controls to verify the level of stock that is held and update accounting records; and • Controls to review the valuation of stock to verify that it has not become obsolescent or is not expected to be able to be sold. <p>We completed a stock take for a sample of items of stock to assess the accuracy of the recorded level of stock on the Union's stock management system.</p>
<p>Objective Four Cash management</p>	<p>We assessed the progress made in implementing the cash management recommendations raised from our 2018-19 Student Union review. We verified that controls introduced to improve the effectiveness of the control environment for cash handling have been designed and implemented effectively.</p> <p>We re-performed cash counts at the time of our review to verify that the value of cash recorded as being held is consistent with that reporting within the Union's accounting records.</p>

Areas of good practice

- ✓ Meetings are held on a monthly basis with budget holders and the Finance Manager in order to review financial performance for the month, assess the cause of variances and consider actions required in response to adverse variances.
- ✓ Template forms have been developed to provide authorisation for changes to salary details within the payroll system, including for new joiners and for amendments to the salaries of existing staff members.
- ✓ All expense claims require approval by an authorising manager in the area to which the expense relates to confirm it is valid. For each of the 25 expenses in our sample we were able to verify this had occurred and that supporting evidence such as a receipt had been provided.
- ✓ Standard Operating Procedures for cash handling processes within the bar have been updated as well as the Union's financial regulations. Staff working in the bar are required to provide confirmation that they have read and understood the financial regulations and a log is maintained to monitor compliance.

Areas for development

- Financial reporting to the Finance and Risk Committee includes a finance report for each month since the last meeting and detailed cost centre budget statements for each month. This provides more detailed information than is optimal to allow effective scrutiny of financial performance and the actions being taken in response. **See recommendation one.**
- Cash flow forecasting is not currently completed to set out expected liquidity movements in the short to medium term and help identify whether any actions are required to be taken to help manage cash requirements. **See recommendation two.**
- There are a number of items held on the stock system for which the quantities recorded are negative. While regular sample spot checks are undertaken to check the accuracy of stock figures as these are based primarily on high value items these have not been resolved through the spot checks that are completed. **See recommendation three.**

We also raised five low priority recommendations relating to approval of orders for bar purchases, monitoring password changes, guidance to support the expenses policy set out in the financial regulations and authorisation of employee starter forms and maintaining action logs from budget holder meetings.

Section one

Executive summary

Recommendations

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

	High	Medium	Low	Total
Made	-	3	5	8
Accepted	-	TBC	TBC	TBC
Status of 2018-19 cash management recommendations				
Implemented	1		2	3
Partially implemented		2	1	3
Total	1	2	3	6

Acknowledgement

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

Section two

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>1 High priority (...): 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 Union's strategic risks will occur. Any recommendations in this category would require immediate attention.</p>	<p>2 Medium priority (...): 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 Union's reputation or for raising the likelihood of the Union's strategic risks occurring.</p>	<p>3 Low priority (...): 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. 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>Consolidation of Finance and Risk Committee reporting</p> <p>The Finance and Risk Committee currently receives a separate finance report for each month since the last meeting and detailed budget statements at a cost centre level for each month. This provides more detail than is required to scrutinise the financial performance, which could be more effectively provided with a single finance report summarising performance for the period to date.</p> <p>A single finance report should be prepared for the financial performance in the period up to the committee meeting. This should provide an overview of income and expenditure performance and narrative setting out the cause of key variances as well as a forecast for the year and the primary balance sheet. The Balance Sheet and detailed notes to the Balance Sheet in the current reporting and the cost centre budget statements should be removed from current reporting and replaced with a summary analysis of the working capital position.</p>	
2	2	<p>Cash flow monitoring</p> <p>The Union is not currently preparing cash flow forecasts to monitor expected liquidity movements over in the short to medium term and any actions that may be required in order to respond to cash pressures.</p> <p>A rolling 12 month cash flow forecast should be prepared to set out a high level overview of the expected cash receipts and expenditure during the period and the anticipated cash balance. This should be included within the reporting to the Finance and Risk Committee.</p>	

Recommendations

No.	Risk	Recommendation	Management response, officer responsible and deadline
3	2	<p>Stock reconciliation</p> <p>We reviewed the stock records at the time of our audit, which showed a range of products that were reported as having negative quantities. While increased levels of spot checks of stock levels have been implemented these are focused on high value stock items and so have not resolved negative quantities within the stock system.</p> <p>As part of the next full stock take items with negative quantities should be amended to zero on the stock system. A review of the products actively being used should be undertaken in order to ensure that only active product lines are available within the stock system to help reduce the risk of deliveries being miscoded. The Union should investigate with the system supplier whether it is possible to apply an automated check to prevent stock quantities from becoming negative.</p>	
4	3	<p>Password change frequencies</p> <p>Permissions for the EPOS system in the bar have been updated so that only supervisors are able to authorise voids and to remove shared codes being used to approve voids. Minimum frequencies for password changes have not been able to be enforced, though managers have been requested to update their password every three months.</p> <p>At quarterly intervals a reminder should be sent to managers to set out the need for their passwords to be changed. The Systems Manager should explore whether there is technical capacity to enforce password changes for managers.</p>	
5	3	<p>Approval of bar purchase orders</p> <p>There is inconsistency in the approval requirements for orders being placed from the bars and the shops. While orders generated for the shop require approval by the Retail Manager, those for the bar do not require approval when entered into the system.</p> <p>As the orders are generated by automatically comparing the recorded stock levels to established 'par' levels a review of the draft order should be undertaken prior to processing to verify that it is appropriate. This should be completed by the Bar Manager or their nominated deputy.</p>	

Recommendations

No.	Risk	Recommendation	Management response, officer responsible and deadline
6	3	<p>Expenses guidance</p> <p>We reviewed the financial regulations and supporting guidance made available for submitting expense claims. While there is extensive guidance on the process and the evidence required to be provided we were unable to identify guidance to set out criteria for acceptable items that can be claimed through expenses.</p> <p>An additional section should be added to the training material for expense claims setting expectations of those areas considered appropriate to claim and areas for which expense claims are not expected to be appropriate.</p>	
7	3	<p>Employee starter form approval</p> <p>For one of our sample of five new joiners although an employee starter form had been completed it had not been signed off as approved by the employee’s line manager prior to being processed to confirm the appropriateness of the information included.</p> <p>A review should be undertaken by the Admin Support Manager or the HR Business Partner of submitted employee starter forms prior to processing on the payroll system and returned to nominated line managers where there is not evidence of approval.</p>	
8	3	<p>Budget meeting action logs</p> <p>Monthly budget meetings are held between the Finance Manager and budget holders to discuss their budgetary performance, variances from budget and actions required. However, records are not maintained from the meetings to confirm actions agreed.</p> <p>An action log should be maintained by the Finance Manager from the meetings, populated with agreed actions and responsible officers and circulated to budget holders following completion of the monthly meetings.</p>	

Payroll

We reviewed the controls in place for the management of the Union's payroll. We have set out below our understanding of the controls and commentary on their design.

Joiners

The Union utilises the College's control processes for the processing of new joiners. The College process covers the approval of vacancies and completion of pre-employment checks. The Union has an HR Business Partner that is responsible for managing the Union's payroll and HR control processes. We have set out below a summary of the controls that are in place within the Union to gain assurance over the joiners process.

Process	Control	KPMG commentary
Approval of new vacancies	1. Recruiting manager approves recruitment to vacancies.	✓ Budget holders are able to approve new vacancies as recruiting managers. This is completed through the College's electronic recruitment system.
New recruit added to payroll system	2. Employee starter form completed to set out details of new joiner.	<ul style="list-style-type: none"> ✓ The employee starter form includes the details of the new employee to allow them to be accurately set up on the payroll system. ✓ The recruiting manager signs the form electronically to confirm that they have reviewed and approved the form.
Payrun processed.	3. Finance Manager reconciles draft payment run to listing of new joiners and leavers.	✓ Details are produced from the payroll system of the new joiners and leavers that have been processed during the period in order to verify that changes in the payroll from the prior period are anticipated.

Operation of controls

We completed testing in order to assess whether the controls identified above had operated as expected. We have not performed testing of the operation of controls administered by the College HR team as we have recently tested the effectiveness of these controls as part of the College's financial controls review.

1 – recruiting manager authorises vacancy

We selected a sample of five new joiners during the year in order to assess whether there had been appropriate approval of the vacancy being recruited to. For each of the five vacancies we were able to confirm that the vacancy had been appropriately approved in advance of the recruitment being undertaken.

2 – employee starter form completed

For each of the five new joiners we assessed whether an employee starter form had been completed for the new joiner. For four of the five new joiners we were able to confirm that an employee starter form had been completed. For one of the sample of five new joiners although an employee starter form had been completed we were unable to evidence that it had been signed off by the manager. **See recommendation seven.**

Payroll

3 – reconciliation of draft payment run to starter and leaver listing

We were unable to perform detailed testing of the reconciliation that is performed as this is undertaken informally by the Finance Manager prior to the payrun being processed. We were able to obtain evidence that the payrun had been approved by the Finance Manager prior to the payment being made. We have not therefore raised a recommendation.

Salary amendments

Design of controls

A contractual change form is completed where salary amendments are requested. These are applied for all salary changes except for annual increments that are applied as standard. The contractual change form sets out the current payroll details and the requested future details.

The contractual change form is required to be approved by the Head of Finance and the Managing Director in order to be processed. Following approval they are submitted to HR for processing.

Operation of controls

We selected a sample of two salary amendments processed during the year to date. For each of these we requested evidence of whether a contractual change form had been completed and appropriately approved. For both of the amendments in our sample we were able to confirm that appropriate approval had been provided prior to the amendment having been processed.

Leavers

Design of controls

A leavers form is completed by the employee's line manager in order to set out the details of an employee that is leaving. The leavers form confirms the details of the employee, their role, their leaving date and annual leave entitlement in order to allow an accurate calculation of the final salary payment. The leavers form is signed off by the line manager and then submitted to the Admin Support Manager who will review the form to ensure all information has been completed and submitted to HR for processing.

Operation of controls

We selected a sample of five leavers from during the year to date in order to assess whether a leavers form had been completed and appropriately authorised by the employee's line manager. For each of the five leavers we were able to verify that a leavers form had been completed and that it had been appropriately signed off by the employee's line manager.

Expenses

Design of controls

Expense claims are submitted by employees using the eActivities system. As part of the claim form they are required to set out details of the type of expense, the reason for incurring the expense, the value and submit a supporting receipt. The expense form is reviewed by a finance administrator who will code the claim form to an appropriate cost centre. A manager within the department is required to approve the expense claim before it is processed.

We reviewed the expenses guidance that is made available to volunteers and clubs and societies that are making expense claims. This provides effective guidance on how a claim can be made and what appropriate forms of evidence are that can be submitted. However, there is no clarification provided within the guidance as to what are considered to be acceptable and not acceptable items that can be claimed under the Union's expenses policy. **See recommendation six.**

Operation of controls

We selected a sample of 25 expense claims processed during the year in order to assess whether they had been appropriately authorised and whether appropriate supporting evidence had been provided to support the claim.

For each of the expense claims we were able to verify that there was an appropriate claim in place, that the claim had been approved by an authorised manager and that there was supporting evidence, such as a receipt, in place to confirm the validity of the expense.

Appendix one

Payroll

Conclusion

There are appropriate controls in place for the authorisation of amendments to payroll, including the addition of new staff to the payroll and making amendments to the salaries of existing employees. Line managers are required to provide approval where amendments are being made to any salaries on the system. A monthly review is undertaken of the payroll prior to being processed in order to reconcile it to known starters and leavers in order to help identify if there have been any unexpected changes and ensure variances are understood.

Expense claims require approval by a departmental manager prior to being processed and for each of the sample of expenses reviewed we were able to verify that appropriate evidence had been provided. Expenses guidance is in place that sets out the expectations for how expenses claims will be processed and the evidence that is required to be provided, however guidance does not incorporate what would be expected to be appropriate and inappropriate to be claimed. **See recommendation six.**

Budget reporting

We reviewed the controls for monitoring and reporting of financial performance against budget. We have set out below a summary of the controls and commentary on their design.

Process	Control	KPMG Commentary
Review of draft financial performance.	1. Budgets circulated to budget holders for review.	<ul style="list-style-type: none"> ✓ Budget information made available shows for subjective codes within their cost centre the in month actual and budgeted financial performance. ✓ Budget holders record explanations and queries for variances on the UniFi finance system to support compilation of financial commentary.
Budget holder meetings with finance to review financial performance.	2. Finance Manager meets budget holders to review financial performance.	<ul style="list-style-type: none"> ✓ Notes from budget meetings are entered into the financial reporting system to support the preparation of commentary for monthly financial reporting. • Action logs are not maintained from meetings to set out where actions have been agreed either to review accuracy of financial data or to improve financial performance and enable follow up in later meetings. See recommendation eight.
Management review of financial performance.	3. Management accounts circulated to Senior Leadership Team to review financial performance. 4. Overall financial performance summary distributed to budget holders on a monthly basis.	<ul style="list-style-type: none"> ✓ The Senior Leadership Team meets on a weekly basis. In the week following close of the ledger management accounts for the month are provided for the meeting. ✓ Management accounts are also circulated to the Finance and Risk Committee once finalised for comment between meetings.
Finance report prepared for Finance and Risk Committee and Board.	5. Review of financial performance by the Finance and Risk Committee. 6. Review of financial performance by the Board of Trustees.	<ul style="list-style-type: none"> ▪ Finance and Risk Committee meetings receive individual management account reports for each month at their meetings, therefore meetings receive multiple management accounts packs. See recommendation one. ▪ As well as the management accounts pack containing narrative and a summary of financial performance the committee also receives detailed cost centre level budget statements for each month. See recommendation one.

Budget reporting

Operation of controls

We completed sample testing in order to assess whether the controls identified had operated as expected during the year to date. We have set out below a summary of our findings.

1 – budgets reviewed by budget holders

We selected a sample of five budgets for the most recent month closed in order to assess whether there was evidence of the budgets having been reviewed and narrative provided. For each of the five budgets there was evidence available that the budget had been reviewed and narratives recorded to provide commentary for adverse variances.

2 – Finance Manager meets with budget holders

Through discussion with the Finance Manager we were able to obtain evidence that meetings had been held for a sample of two months in order to review financial performance and that notes had been maintained from those meetings. As action logs are not maintained from the meetings we could not verify whether any actions had been agreed or followed up from previous meetings. **See recommendation eight.**

3 – management accounts circulated to Senior Leadership Team

We verified for a sample of two months that a management accounts pack had been developed following the review of the month's financial performance. We obtained evidence of the management accounts having been presented to the Senior Leadership Team for review.

4 – financial performance summary distributed to budget holders

For a sample of two months we confirmed that a summary of financial performance report had been distributed to Union managers to provide an update on the Union's overall financial performance.

5 – review by Finance and Risk Committee

We obtained papers and minutes from the Finance and Risk Committee meetings during the year in order to assess whether there was evidence of finance reports being presented to the committee for review. For each meeting of the committee we were able to confirm that management accounts reports and budget reports had been presented to the committee for each month since the last meeting.

6 – review of financial performance by Board of Trustees

We reviewed papers of the Board of Trustees during 2018-19 in order to assess the extent to which financial information had been provided. While there was not a standing agenda item for review of financial performance we noted that there had been finance updates provided to each of the meetings, setting out an overview of financial performance and the actions being taken in order to improve it. A re-forecast was also incorporated into the papers presented to the Board of Trustees setting out the expected full year financial performance and progress with actions being taken to improve the performance.

Budget reporting

Financial performance information

We reviewed the financial performance information presented to the Finance and Risk Committee in order to assess whether it contained sufficient information to support the committee in effectively reviewing the financial performance of the Union. We have set out below a summary of our commentary:

Areas of good practice	Areas for development
<ul style="list-style-type: none"> ✓ An Executive Summary is provided that sets out the overall financial performance for the period and analyses the causes of key variances. 	<ul style="list-style-type: none"> ▪ Packs are produced on a monthly basis and the committee receives each monthly pack at its meeting. There are therefore opportunities to consolidate how much information is presented by producing a single pack for the meeting of financial performance up to the most recent period closed. See recommendation one.
<ul style="list-style-type: none"> ✓ Forecast income and expenditure performance is included within the management accounts to set out the expected full year performance. 	<ul style="list-style-type: none"> ▪ While a summary Balance Sheet is prepared for the pack an analysis of the notes to the accounts for Balance Sheet items is also prepared, which provides an increased level of detail compared to that required. See recommendation one.
<ul style="list-style-type: none"> ✓ A separate analysis is included of bar and catering financial performance with an analysis by each of the key sites showing performance compared to budget and forecast. 	<ul style="list-style-type: none"> ▪ A cashflow statement for the year to date is prepared for each copy of the management reporting pack, however no cash flow forecasting is completed as part of preparing the management reporting. See recommendation two.

Conclusion

There is an effective process to support finance engaging with budget holders in order to help review financial performance and determine causes of adverse financial performance. These are centrally recorded to support with the preparation of narrative for the overall Union management accounts.

A management accounts pack is prepared that is circulated to the Senior Leadership Team and the Finance and Risk Committee to support the review of financial performance. These include an analysis of the income and expenditure performance of the key elements of the Union as well as incorporating a forecast of overall financial performance. While forecasting is completed of the income and expenditure performance, there is no future forecasting of expected levels of cash to help assess whether there are any forthcoming liquidity requirements that need managing. **See recommendation two.**

There is also an opportunity to consolidate the financial reporting information made available to the Finance and Risk Committee. Individual management accounts packs are prepared for each month and submitted to the committee, which meets four times a year, therefore meetings generally receive three management accounts reports. Detailed cost centre level budget statements are also submitted to the Committee. This could be focused to a single report that provides the key information required for the committee to scrutinise financial performance of the Union. **See recommendation one.**

Stock management

We reviewed the controls in place to ensure that stock is ordered appropriately and the Union has an accurate record of how much stock is held. We have set out below our understanding of the process and commentary on its design.

Process	Control	KPMG Commentary
Goods ordered to replenish stock levels.	<ol style="list-style-type: none"> 1. Required quantities of bar and retail products set. 2. Approval of order prior to placing with supplier. 	<ul style="list-style-type: none"> ✓ For the bar standard levels of stock are defined for each of the products sold. When levels fall below this they are added to the next order. ✓ Orders for retail stock are required to be approved by the Retail Manager or Assistant Retail Manager prior to being placed. <ul style="list-style-type: none"> ▪ Approval for bar orders is not required to be obtained, though access to place the orders is restricted to the Bar Manager. See recommendation five.
Goods delivered to Union.	<ol style="list-style-type: none"> 3. Goods receipted by manager and recorded on ORBIS system. 	<ul style="list-style-type: none"> ✓ Bar orders are receipted by the Bar Manager and retail orders by the Retail Manager or Assistant Retail Manager. ✓ Managers reconcile the delivery note to the order prior to recording the delivery on the system.
Invoice reviewed and approved for payment	<ol style="list-style-type: none"> 4. Invoice approved by manager to confirm appropriateness to pay. 	<ul style="list-style-type: none"> ✓ Invoices are approved by the Manager or Assistant Manager signing the invoice to confirm that they are appropriate to pay. They are then transferred to the accounts payable team for processing.
Review of stock levels	<ol style="list-style-type: none"> 5. Stock count procedures performed in order to verify levels of stock that are held. 	<ul style="list-style-type: none"> ✓ Weekly stock checks are performed within the retail stores to verify the stock levels recorded. ✓ Monthly external stock checks have recently been commissioned for the bar. These supplement sample spot checks that are undertaken by the bar team on a weekly basis. <ul style="list-style-type: none"> ▪ As the sample selection for retail stock checks is focused on high value items there are a number of lines that are not regular checked. We noted that there were a number of line items that were showing as having negative quantities of stock recorded. See recommendation three.

Stock management

We performed sample testing during our audit in order to assess whether the controls identified have operated consistently during the period under review. We have set out below a summary of the testing performed and our results.

1 – required quantities established for bar items

We reviewed the information recorded within the ORBIS stock system for bar products and verified that par levels had been established to set out the expected quantities to be held for each of the items of stock recorded.

2 – approval of order

Orders placed from the bar are not required to be approved prior to uploading into eActivities for the order to be generated and therefore we have not performed further testing of the control for the bar.

Retail orders are required to be approved by the Retail Manager or Assistant Retail Manager. We selected a sample of 25 retail orders placed and verified that there was evidence of these having been appropriately approved by one of the two managers.

3 – goods receipted

We were unable to evidence individual orders being receipted on the stock system to confirm the amounts that had been recorded as delivered. However, we performed an overall review of the stock recorded on the system and noted that there were a number of stock items that were shown as having negative quantities. From discussions with management this arises from items being recorded as delivered against the wrong stock code and then sales being processed against the correct code. **See recommendation three.**

4 – invoice approved by manager

We selected a sample of 25 invoices for retail and bar orders processed during the year to date to verify that there was evidence of appropriate approval having been provided. For each of the 25 invoices we were able to verify that they had been stamped to confirm that payment had been authorised and that a signature had been provided in order to confirm who had signed off the invoice. In each instance we were able to verify that the invoice had been signed off by an appropriate manager.

5 – stock count procedures

Revised stock count frequencies and procedures had only been in place for two months at the time of our review, therefore we could not verify these had been performed throughout the period. However, we obtained logs from each of the weekly stock takes performed during December 2019 to confirm that they had been performed weekly.

For retail we obtained copies of the five most recent weekly stock count sheets and verified that they had been signed off by the individual undertaking the stock count and that they had been separately reviewed and approved by a manager.

We also selected 10 line items each from the most recent stock report for the bar and for the retail site. For each of these we assessed whether the stock level recorded matched the amount held both within selling space and store rooms. For each of the bar items we were able to verify that the amount recorded matched the expected amount, however for six of the 10 retail items we could not agree the level of stock held. Where discrepancies were identified we were informed this was primarily due to there being other, similar stock items and items having been receipted against the wrong code. **See recommendation three.**

Conclusion

Controls have been introduced to provide further assurance over the amount of stock held within the bar and retail premises. There are appropriate controls in place for the ordering of stock and increased levels of checks are being undertaken to verify that recorded quantities are accurate. There are known historic issues with records on the stock system, primarily relating to cost values assigned to older stock. This has been rectified for new stock and the impact will continue to reduce over time due to turnover of stock. There are further inaccuracies in quantities recorded that primarily arise from receipting against the wrong item codes, for example there are a number of stock items where negative quantities of stock are recorded on the stock system. **See recommendation three.**

Follow up of prior recommendations

We reviewed whether the recommendations raised relating to cash management as part of our 2019-20 Students' Union review had been implemented and whether they were operating effectively. We have set out below a summary of our findings.

No.	Risk	Recommendation	Status as at January 2020
1	I	<p>Supervisor access codes</p> <p>A supervisor access code is required to process transactions such as refunds and voids on the tills in the shops and bars. Through discussions with staff we understand that there is a single supervisor code in use within the bars that was shared amongst a number of the staff. A transaction report is available that analyses the level of transactions that required the supervisor code, however this is not routinely reviewed.</p> <p>Individual supervisor authorisation codes should be established for each manager that acts in a supervisor role. The current code that has been shared should be deactivated so it is not able to be used. Supervisor codes should be changed on a termly basis.</p> <p>The transaction report should also be reviewed to assess whether there was a high value of voids, discounts or refunds and follow up to understand the cause of these if so.</p> <p>Management response</p> <p>All refunds and voids are now signed off by a permanent manager or permanent supervisor, Venues Manager to review all transaction reports and investigate refund amount and reason and levels of voids. If levels are excessive the Venues Manager will investigate. The Operations Manager will further investigate through regular checks.</p> <p>Supervisors all have code changes each term and these are not shared</p> <p>Responsibility: Operations Manager</p> <p>Timescale: July 2019</p>	<p>Implemented</p> <p>We reviewed the permissions available on the system for processing voids and confirmed these were only allocated to the manager and supervisors.</p> <p>We confirmed that weekly voids reports were being produced in order to support monitoring of the level of voids.</p> <p>We noted that the level of voids had not reduced as a result of changes made and was known by management as remaining high. Causes relating to this have been considered, such as price checks being undertaken of products, and alternative mechanisms for this to be completed are being implemented.</p> <p>We verified that managers had been requested to change their passwords every three months, though this is not currently able to be enforced within the retail system and so completion is not monitored. See recommendation four.</p>

Follow up of prior recommendations

No.	Risk	Recommendation	Status as at January 2020
2	2	<p>Bar till reconciliations</p> <p>Reconciliations are undertaken on a daily basis of the expected cash in tills based on the sales processed compared to the actual level of cash. Any variances over £5 in the bars and £3 in the shops is required to be investigated.</p> <p>For three of our sample of 15 bar reconciliations a variance of more than £5 was recorded but we were unable to verify that it had been appropriately investigated to assess the cause.</p> <p>A reminder should be added to the template for the reconciliation to confirm that variances over £5 must be investigated and a supporting explanation provided. Spot checks should be undertaken by finance of reconciliations to verify that variances are being appropriately investigated.</p> <p>Management response</p> <p>Tills are now flagged for shortages with a variance. Through spot checks the floats are now consistently correct, to the agreed amount</p> <p>Responsibility: Interim Venues Manager</p> <p><i>Complete</i></p>	<p>Partially implemented</p> <p>We verified that a variance log sheet had been developed and was maintained for the H Bar. We selected a sample of five days in order to verify that there was evidence of a reconciliation being completed and the variance log being updated and reviewed.</p> <p>We were unable to establish that a variance log had been implemented for the other two bars managed by the Union.</p> <p>Revised due date</p> <p>31 March 2020 for implementation to other bars</p>
3	2	<p>Float procedures</p> <p>Specified values have been set for the amount of cash to be held in each till and safe within both the bars and shops. We attended counts for each float to assess whether the balances held were consistent with the expected amounts. None of the 15 float values within the bars agreed to the expected amount. Although the overall level of cash held was £6 higher than expected in one till there was approximately £14 less than expected to be held.</p> <p>At the beginning of each shift floats should be counted to verify that the amount held is consistent with the expected amount. Any variances should be followed up by a supervisor. The count and any variances should be recorded on the safe count summary sheet.</p> <p>Management response</p> <p>New float amounts have been agreed with the team. Floats are counted before each shift in order to check the amounts.</p> <p>Responsibility: Interim Venues Manager and Operations Manager</p> <p><i>Complete</i></p>	<p>Partially implemented</p> <p>We performed a count of the cash held in floats for each of the bar and shop tills at the time of our audit and verified that the amounts held matched the expected amounts as set out within the float reconciliations at the beginning of the day.</p> <p>We selected a sample of 15 daily reconciliations performed. While we were able to verify that they had been completed for each of the 15 days, for five of the 15 reconciliations they had not been signed off by a manager to verify that they had been reviewed.</p> <p>We note that the Union is anticipating introducing cashless payment from February 2020 and so there will be revisions to the level of cash that is required to be held.</p> <p>Revised due date</p> <p>28 February 2020 – for implementation of cashless payments</p>

Follow up of prior recommendations

No.	Risk	Recommendation	Status as at January 2020
4	3	<p>Staff guidance and training</p> <p>While there are documented procedures covering most of the procedures in place for handling cash within the bars our testing identified these were not always consistently applied and understood, for example reconciling items were not always followed up in order to assess the cause of differences.</p> <p>The operating procedures should be reviewed to ensure that they are reflective of current processes and expectations. When new staff with responsibilities for cash handling join the Union they should be supervised in undertaking cash control processes during their first shifts to verify that they understand how to perform the controls and the reason for undertaking them.</p> <p>Management response</p> <p>All Standard Operating Procedures and operational procedures are being reviewed and updated. The updated SOPs will be sent to the Finance & Risk Committee for ratification on 19 June 2019.</p> <p>Responsibility: Operations Manager</p> <p>Timescale: 19 June 2019</p>	<p>Implemented</p> <p>We verified that the financial regulations have been reviewed and approved by the Finance and Risk Committee and that updated standard operating procedures have been developed.</p> <p>We confirmed that as part of induction and training staff are required to confirm that they have read and understood the financial procedures and a log is maintained by the Venue Manager to confirm that this has been received.</p>
5	3	<p>Physical security for shop</p> <p>The back office area that houses the safe for the retail services does not have a security camera installed and is only able to be locked from the inside, which reduces the ability to prevent and detect potential theft.</p> <p>A security camera should be fitted in order to be in line with the wider Imperial College security policy. A lock should also be fitted to enable locking the room from the outside to help prevent access by unauthorised individuals.</p> <p>Management response</p> <p>The lock on the shop office is capable of being locked from the outside as well as the inside, but there is no key for this door at present. Estates will be contacted to get a key for the lock.</p> <p>Quotes will be obtained from Estates regarding installation of a CCTV camera.</p> <p>Responsibility: Interim Retail Manager</p> <p>Timescale: 30 September 2019</p>	<p>Partially implemented</p> <p>We verified that CCTV had been installed within the bar to provide additional security assurance. A quote has been requested for CCTV to be fitted within the shop, which is in the process of being obtained.</p> <p>The lock for the shop has been replaced.</p> <p>Revised due date</p> <p>31 March 2020</p>

Follow up of prior recommendations

No.	Risk	Recommendation	Status as at January 2020
6	3	<p>Review of bank reconciliations</p> <p>Bank reconciliations are not reviewed by a separate member of the finance team to provide assurance that they have been appropriately completed and reconciling items investigated.</p> <p>The monthly bank reconciliations should be reviewed by a manager within the finance team and the reconciliation should be signed off following review to verify that it has been approved.</p> <p>Management response</p> <p>The Finance Manager will provide a signed off summary monthly check list to the Head of Finance and Resources each month.</p> <p>Responsibility: Head of Finance and Resources</p> <p>Timescale: 30 July 2019</p>	<p>Implemented</p> <p>We selected a sample of two months and for each of these we verified that a summary checklist had been produced by the Finance Manager and that there was evidence of it having been reviewed by the Head of Finance and Resources.</p>

Conclusion

Progress has been made with the implementation of each of the recommendations raised relating to cash management as part of our 2018-19 review. While additional assurance is available over the use of voids by restricting the staff that are able to process voids on the point of sale system, this has not yet had an effect in reducing the level of voids being processed. Further actions have been planned by management to help address some of the suspected causes of this and help to be able to better identify where inappropriate levels of voids are being processed. **See recommendation four.**

Additional controls have been implemented to help ensure that cash is accurately recorded and reconciled at the end of the day across the bars and there were no discrepancies identified during our count procedures, though reconciliations are not yet consistently being fully reviewed as expected. **See recommendation three, appendix four.**

Appendix five

Staff involvement and documents reviewed

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

Name	Job title
Abhijay Sood	Union President
Fifi Henry	Deputy President (Finance and Services)
Malcolm Martin	Head of Finances and Resources
Angela D'Souza	Administration Supporter Manager
Neha Gandhi	Finance Manager
Kay Counter	Operations Manager
Tom Newman	Head of Student Experience
Marvin Clarke	Commercial Services Administrator
Julia Mattingley	Head of Commercial Services
Michael King	Acting Retail Manager

During our testing, we reviewed the following documents:

- Finance reports presented to Senior Leadership Team and Finance and Risk Committee;
- Stock report from stock system;
- External stock count reports received in December 2019;
- Internal stock reconciliation sheets;
- Listings of joiners, leavers and salary amendments during 2019-20 to date;
- Cash reconciliations performed for bar and shop tills for a sample of dates during 2019-20 to date;
- Financial regulations;
- Updated Standard Operating Procedures; and
- Expenses guidance and training materials.



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