



External audit 2015–16 management letter: progress report on actions

Outcome requested:	Audit and Risk Committee is asked to note progress on the implementation of the external audit 2015–16 management letter recommendations.
Executive Summary:	<p>Appendix 1 details the recommendations and management responses arising from the external audit of the 2015–16 financial statements. The 2016 external audit management letter contained three recommendations, two in relation to research grant processes and one in relation to assets in the course of construction.</p> <p>1) Controls over grant income – use of paper index cards: The use of index cards has ceased and the JRMO non-medical team are using log sheets coupled with their claims lists to raise invoices. Phase 2 of Research Grant Management System implementation commenced on 1st Aug 17 and is expected to take up to 18 months to complete. We anticipate that this process will then be automated as the system has the facility to record milestones and produce a report on outstanding invoices. COMPLETED.</p> <p>2) Controls over research grant income – review of expenditure: There are no planned changes to our general ledger reporting in respect of multi-line orders, however we are content that expenditure can be scrutinised by purchase order review if required. NO FURTHER ACTION PLANNED.</p> <p>3) Assets in the course of construction – completion criteria: Communications of completed projects by Estates and IT colleagues have improved but we will endeavour to embed the process further. IN PROGRESS.</p>
QMUL Strategy:	Compliance with external audit
Internal/External regulatory/statutory reference points:	HEFCE audit code
Strategic Risks:	13 – Maintain effective and constructive governance
Equality Impact Assessment:	Not required
Subject to prior and onward consideration by:	QMSE 19 September 2017
Confidential paper under FOIA/DPA	No
Timing:	The Committee receives an annual update on progress with the recommendations from external audit.

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Date:	15 September 2017
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Other significant findings

Internal control and risk management

As part of our audit approach we tested the design and implementation and operating effectiveness of controls over your key business processes. We noted a number of areas for improvement which would potentially allow us to take a controls reliance approach over certain of these areas in future years.

	Observation	Deloitte recommendation	Management response
<p>Controls over grant income – use of paper index cards</p>	<p>Per management, the purpose of the control is to prompt the team to review particular grants which are expected to meet milestones as per the grant agreement and is considered an appropriate control to address the risk that the income is not recognised in the correct period. However this method is very outdated and highly open to manual error due to the volume of grants which require review.</p>	<p>An electronic process which can record when a review was performed and when it will be next required would provide much greater control and therefore reduce the risk that grants which are due to be reviewed are missed.</p>	<p>This process will become automated with the implementation of the Research Grant Management System (RGMS). The milestones will be built into phase 1 and will then feed through to phase 2 which relates to the post award activities</p>
<p>Controls over research grant income – Review of expenditure</p>	<p>On a quarterly basis the Grants Admin Team perform a reconciliation from Agresso to the applicable invoice or payment profile, reviewing items of expenditure for any items which are not valid.</p> <p>Expenditure coded/allocated to grants does not always have the detail needed to enable scrutiny for any potential ineligible expenditure (which also impacts the related revenue recognised).</p> <p>While more detail is available on a grant-by-grant basis, there is a risk that inappropriately coded expenditure on research grants may go undetected.</p>	<p>Implement changes at the point of recording of expenditure on grants in Agresso so to include more detail on the nature of the expenditure.</p>	<p>The Joint Research Management Office (JRMO), Finance and IT will work together to see if the reports can be improved.</p>

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	Observation	Deloitte recommendation	Management response
Assets in the course of construction – completion criteria	We note the improved control environment in general over this key account balance. However, the process in place to communicate the completion of projects internally still requires improvement. This is particularly important over year end, so to ensure that all projects are appropriately accounted for.	An appropriate control should be implemented whereby completions are communicated on a more regular and timely basis (in line with the financial reporting process).	Agreed, we will ensure that there is a robust process for communicating completions in place.