



COMPLIANCE PLAN

2016-18

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CONTENTS

SECTION	CONTENTS	PAGE
1.	Introduction	1
2.	Principles for the Compliance Unit's operation	1
3.	The service and the service model	1
4.	The contribution of the Compliance Unit to the University's assurance process.	3
5.	Compliance Unit reporting and communications	4
6.	Staffing and procedures	4
7.	The Compliance Plan (2016-8): An overview	5

Appendix 1: Summary statement of compliance unit procedures

Appendix 2: Compliance Plan 2016-8: Details

1. INTRODUCTION

1.1 This report outlines the work to be undertaken by the Compliance Unit within the Assurance and Compliance section over the period 2016-2018. This report follows on from the review of outstanding internal audit recommendations produced for the SMT in April 2015.

1.2 Compliance programmes are designed to assist an organisation meet its objectives. The Australian Standard on Compliance, AS3806-2006, states that the compliance programme should result in an organisation:

“being able to demonstrate its commitment to compliance with relevant laws, including legislative requirements, industry codes, organisational standards as well as standards of good corporate governance, ethics and community expectations”.

The standard primarily addresses compliance to law and regulation. However, the stated objective equally applies to compliance functions generally. This will be the overall objective of the Unit.

2. PRINCIPLES FOR THE COMPLIANCE UNIT'S OPERATION.

2.1 The Compliance Unit's work will be based on the following principles:

- a. Commitment from Council and the SMT that effective compliance arrangements will operate across the USP.
- b. Compliance is an important part of the USP achieving its strategic objectives.
- c. Monitoring compliance is a key part of a process of continuous risk assessment.
- d. There is clear senior sponsorship of the approach and objectives of the Compliance Plan.
- e. The Plan will be updated to reflect emerging compliance risks that fall within its review scope.
- f. Reports and other communications from the Compliance Unit will ensure outcomes are clearly articulated and assigned.
- g. Executive sponsorship by senior managers will ensure that behaviours that support compliance are encouraged.
- h. Breaches in compliance will be addressed by an appropriate and proportionate remedy by management.
- i. Compliance will be assessed against clear policies and procedures. These are the responsibility of management.
- j. The Compliance Programme will be managed and reported against appropriate professional and other procedural standards.

2.2 Background information about the work the Unit has also been placed on the section's intranet site. The address is <http://www.usp.ac.fj/index.php?id=17716>.

3 THE SERVICE AND THE SERVICE MODEL

3.1 The Compliance Unit will deliver its service in accordance with the Assurance and Compliance section service model. This is outlined on the Assurance and Compliance intranet site (see 2.2).

- 3.2 **Planned assignments:** The most significant element of Compliance Section work will eventually be planned assignments. The assignments will be outlined annually in a Compliance Plan.
- 3.3 Assignments will be issued to senior managers via a process similar to internal audit reports. Audit briefs will be agreed. Draft reports will be issued containing opinions on overall levels of compliance. Recommendations for specific remedial activity will be followed up.
- 3.4 **Follow-up work:** A significant part of the Unit's work will be to follow up internal audit reports. Many of these reports, dating from 2012, have not been followed up. Follow up reports will be issued. The reports will contain the results and an opinion on whether sufficient action has been taken to implement recommendations. This will ensure these report cycles are completed and agreed actions monitored for implementation.
- 3.5 The Unit will follow up on recommendations from its own reports. This will provide a detailed appraisal of management's ability to improve compliance by implementing control improvements.
- 3.6 **General advice:** The Compliance Unit part of the intranet site will also be used to communicate general lessons learned. This will be part of the communications approach to improve the awareness of the objectives of compliance outlined at 1.2 and section 2. It is expected that this activity will become a more significant feature once the Compliance Unit is more established.
- 3.7 **Ad hoc advice:** Ad hoc advice on compliance matters will also be given once the Unit has established itself. This will eventually make the Unit an important independent repository of compliance advice. The Unit will also promote the use of the section's generic email address to receive compliance related queries (ac@usp.ac.fj).
- 3.8 **Requested reviews on compliance matters:** The Unit will also respond to ad hoc requests for compliance reviews once it is established. Time for such requests will be included in plans and this aspect of the service will be promoted from 2017 using:
- the section's intranet site;
 - and other media such as University-wide emails; and
 - discussions with managers.
- 3.9 **Scope of the Compliance Unit's work:** Many Compliance Units undertake significant work around legal, regulatory and ethics-related issues. These Units are particularly concerned with compliance to Codes of Conduct. This will not be the primary focus of Compliance Unit work. .
- 3.10 However, assessing organisational commitment to following procedures is an important aspect in demonstrating appropriate behaviours. Therefore, the outcome of the Compliance Unit's work will support management's overall view about commitment to following policies and procedures. This should inform management views about organisational behaviour.

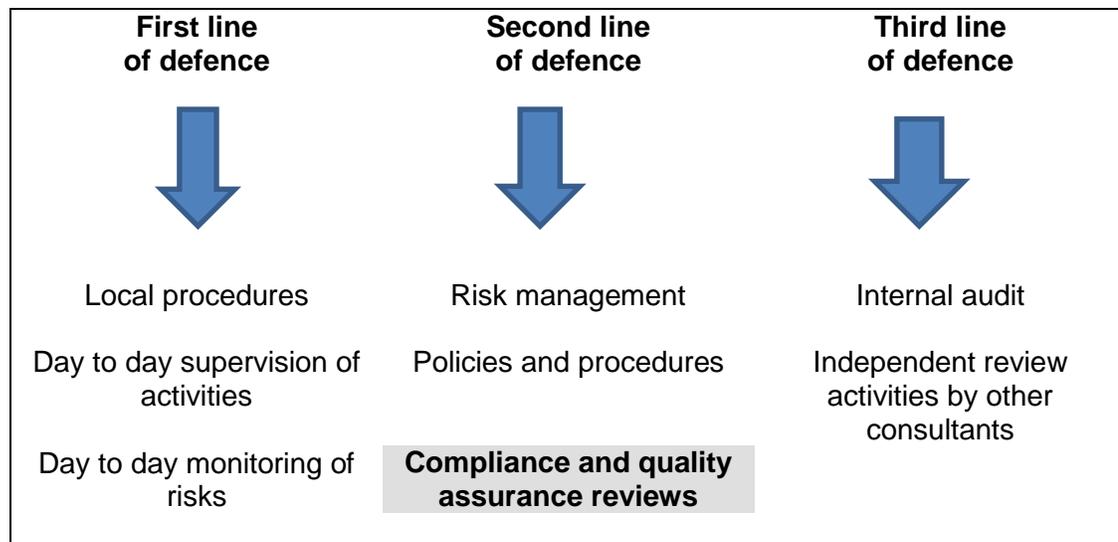
3.11 **Limitations of expertise:** There may be areas where there is a limitation of expertise in carrying out compliance assignments. This could apply, for example, to complex IT systems compliance matters. Where this is the case, management will be advised that another assurance source will need to be sought. The nature of the assurance sought will be a decision for management (see section 4).

4. THE CONTRIBUTION OF THE COMPLIANCE UNIT TO THE UNIVERSITY’S ASSURANCE PROCESS

4.1 The Compliance Unit undertakes independent examinations on the extent to which policies and procedures are followed. This work is designed to provide assurance which complements other assurance activities in the University.

‘Three Lines of Defence’

4.2 The ‘Three Lines of Defence’ model of assurance is an internationally accepted way of looking at assurance sources. The sources of assurance are defined by their independence from routine management activities. The diagram below provides a description of this model and where the Compliance Unit fits into it. Some examples of different assurance sources are also provided.



4.3 The Compliance Unit strengthens the ‘Second Line of Defence’ activities across the University. These activities are guided by and under the control of line management. They are not independent in the way internal audit is. However, the reviews provide evidence that policies and procedures are being followed. These reviews are therefore a crucial source of management assurance.

The Assurance Framework

4.4 An ‘Assurance Framework’ is a document that provides evidence about:

- a. Where assurances have been received.
- b. The source of the assurance.

- c. Planned assurances for specific areas of activity.

This document will support the risk management framework of the USP. It will be developed and subsequently reported to the ARC. It will also be reported to Council as supporting information to the key risks register.

- 4.5 The Compliance Unit will also look to establish where compliance and quality assurance activities take place in the University. These can then be mapped to the risks such activities are looking to address. This 'assurance mapping' process will support the USP's risk management framework. It will provide a more comprehensive overview of assurance sources than a risk register summary. It will also enable potential compliance (and other assurance) needs to be identified. Therefore, this Framework can inform future compliance planning by the Unit or other compliance functions in the University. The work will be done in consultation with the Risk and Insurance Officer and other University officers as necessary.

5. COMPLIANCE UNIT REPORTING AND COMMUNICATIONS

- 5.1 Appendix 2 provides basic details about the process for planning and agreeing the scope of Compliance Unit reports. The same format will be used for follow ups of internal audits, although the scoping arrangements for these reviews will be much simpler.
- 5.2 Appendix 2 also provides details about the types of opinions that will be given. This has been tailored to correspond with recommendations by the internal auditors. This will give some level of consistency to the types of gradings being reached. The recommendation descriptions are framed in terms of compliance- related risk. This ensures evaluations from compliance work can be more easily integrated into other risk appraisals.
- 5.3 Appendix 2 also briefly outlines the section's summary reporting arrangements. These reports are designed to consolidate Compliance activity over a six-month period. The reports will be sent to the SMT for noting and comment.
- 5.4 The reports will then be made available to the ARC and the internal auditors. This will help with ARC scrutiny and audit planning work respectively.

6. STAFFING AND PROCEDURES

- 6.1 **Staffing:** The Compliance Unit's work will be delivered by the Compliance Officer, Anshu Arishma. She is about to commence the Chartered Internal Auditor (CIA) qualification. This will enable the Compliance Unit to give increasingly better informed advice about risk and control matters relating to the University's compliance arrangements. It will also ensure that the assignments are undertaken by a staff member with an internationally accredited qualification.
- 6.2 **Procedures:** All work undertaken by the Unit will be subject to review by the Director of Assurance and Compliance. This will ensure that conclusions reached from the fieldwork stage have appropriate supporting evidence. The procedures will include:
 - a. Guidance on sample testing.

- b. A formal method of assessing compliance using detailed working paper matrices
- c. Control and compliance-related questionnaires.
- d. Standard planning and reporting templates.

7. THE COMPLIANCE PLAN (2016-8): AN OVERVIEW

7.1 The proposed Compliance Plan is at Appendix 1. The following table provides a summary of the details. The plan is based approximately 200 planned days of activity per annum.

ACTIVITY	2016	2017	2018
Internal audit follow up work	93	75	57
Compliance assignment work	75	115	135
Assurance Framework activity (sources of compliance work)	10	10	10
Annual report of the Compliance section	5	5	5
TOTAL PLANNED DAYS	183	205	207

7.2 The Compliance Plan uses the following overall approach:

- The annual programme of reviews will be developed in consultation with SMT members and other senior managers.
- Reviews of internal financial control compliance will take place each year.
- Reviews of compliance to operational procedures will target specific key University administrative systems each year. This will provide a clear thematic element within each plan and enable detailed planning and investigation to be targeted each year.
- There will be an annual report summarising the outcomes of the reviews. The report will also contain specific opinions and lessons to be taken forward, based on the review outcomes.

7.3 There is a historic backlog of internal audit reports to be formally followed up. Time is being prioritised to follow up these internal audits. This will enable the reporting cycle for these reviews to be completed. It will also give further insight into the value of previous internal audit activity.

7.4 There are some audits that are not going to be followed up in detail. These are at Appendix 3. These are mostly audits of smaller Institutes. The proposed approach to these assignments is outlined in the appendix.

7.5 As the internal audit follow up process is brought under control, more time will be devoted to planned assignments. These assignments will potentially take place across all areas of USP activity (but see 2.2 and 2.4). This plan is based on the assumption that each review will take 15 days to complete and the follow up work, five days. This will be adjusted if necessary.

7.6 An important element in ensuring that value is maximised from the service is avoiding duplication. Proposed annual plans for Compliance work will take account of agreed

internal audit plans and other reviews. Future plans will therefore alter depending on other assurance sources being obtained.

2016

- 7.7 The 2016 year has less flexibility than the next two years. This is because internal audit follow ups are prioritised. Subsequent years have contingency time allocations to allow targeted activity to be undertaken.
- 7.8 The operational area being targeted this year is compliance to property, facilities and estates procedures. The audits proposed have been extensively discussed with the P and F leadership at group and individual meetings.

2017

- 7.9 We will look to include a thematic approach to procedures relating to student administrative arrangements. These will include matters like:
- a. Maintenance of student records.
 - b. Enrolment procedures.
 - c. The procedures for issuing results.

The content of the reviews to be undertaken will be discussed with management.

2018

- 7.10 We will look to examine HR and payroll related systems. This will allow the outcomes of the EQUIBIT review to be embedded into new processes. It will also allow the new HR leadership group to become more firmly established. An internal audit is scheduled for HR in 2017 and follow up on this review will also be done in 2018. The contents of the compliance reviews to be undertaken will be discussed with management.
- 7.11 Payroll is a system that is subject to extensive review. It is audited in some form by internal audit twice in every three year audit cycle. It is also subject to annual external audit review. However, it is a key systems and regulatory risk within USP. The EQUIBIT review could potentially introduce new interface procedures between HR and Payroll. Therefore, planned Payroll compliance assignments will take place in 2018.

SECTION SIX: HOW DO COMPLIANCE ASSIGNMENTS WORK?

These are the key parts of the process. This will apply for both follow-up work and other compliance assignments.

ITEM	COMMENT
Outline the scope of the work	<ul style="list-style-type: none"> • We will advise the SMT in the area concerned what we plan to do. • The assignment Terms of Reference will be agreed with the SMT.
Fieldwork reports	<ul style="list-style-type: none"> • Reports outlining compliance recommendations following fieldwork will be circulated for comment. • These recommendations will then be followed up.
Summary reports	<ul style="list-style-type: none"> • These will go to SMT every six months. • These may also be referred to the Audit and Risk Committee. • Our internal auditors will also be provided with these reports.

We will grade the outcomes of our work in a similar manner to our current internal auditors. The definitions are different, though. They are outlined below.

GRADINGS	DEFINITION
Critical	The issue is a severe risk to the proper functioning of the area examined.
High	The issue is a significant risk to the proper functioning of the area examined.
Moderate	The issue is a small risk to the proper functioning of the area examined.
Low	The issue is a minor risk to the proper functioning of the area examined.

We will also provide an overall conclusion from our work. This will also be graded. The gradings used are outlined below.

GRADINGS	DEFINITION
Weak	Overall, compliance to policies and procedures is not satisfactory.
Satisfactory	There are some weaknesses noted. However, overall compliance levels are not a matter of serious concern.
Good	There is good compliance to policies and procedures in this area.

APPENDIX 1

SUMMARY STATEMENT OF COMPLIANCE UNIT PROCEDURES

REPORTING TIMEFRAMES: SUMMARY OF GUIDANCE

DOCUMENT TYPE	TIMESCALE
Brief outlining scope of work	Agree within one week of issue
Draft report	Agree findings within two weeks of issue
Final report	Issue within one week of the receipt of the draft report with all management comments in it

A. SUMMARY OF THE COMPLIANCE PLAN (2016 – 2018)

Quarter	Area	2016		2017		2018	
		No of Assignments	Days Allocated	No of Assignments	Days Allocated	No of Assignments	Days Allocated
Quarter 1	Internal Audit Follow Up	3	22	4	22	2	23
	Compliance Review	0	0	2	30	1	15
	Compliance Review Follow up	0	0	0	0	2	10
	Total	3	22	6	52	5	48
Quarter 2	Internal Audit Follow Up	4	36	2	20	3	26
	Compliance Review	1	15	1	15	1	15
	Compliance Review Follow up	0	0	2	10	2	10
	Total	5	51	5	45	6	51
Quarter 3	Internal Audit Follow Up	3	21	2	24	1	8
	Compliance Review	2	30	1	15	2	30
	Compliance Review Follow up	0	0	1	5	2	10
	Total	5	51	4	44	5	48
Quarter 4	Internal Audit Follow Up	3	14	2	9	0	0
	Compliance Review	2	30	2	30	3	45
	Compliance Review Follow up	0	0	2	10	0	0
	Total	5	44	6	49	3	45
Assurance Framework activity is distributed across all quarters as required.		10		10		10	
Annual report of the Compliance section		5		5		5	
Total	Internal Audit Follow Up	13	93	10	75	6	57
	Compliance Review	5	75	6	90	7	105
	Compliance Review Follow up	0	0	5	25	6	30
Total Assignments/Days Allocated		18	168	21	190	19	192
Total Assignments & AC Frame work		19	183	22	205	20	207

B. Plan for Internal Audit Recommendations Follow up work: 2016 - 2018

	Year 2016	Year 2017	Year 2018
Quarter 1	Examinations and Mid Semester Test	Superannuation and taxation compliance	Project Management framework
	Administration of Scholarship funds	Institute of applied science	Occupational Health and Safety
	Consultancy Income	Budgeting Process and Budgetary Control	
		Management of Regional Campuses	
	22 Days Allocated	22 Days Allocated	23 Days Allocated
Quarter 2	Pacific Centre for Environment and Sustainable Development ("PACE-SD")	Regional Campus – Emalus Campus	Contract Performance Management
	Republic of Marshall Islands Regional Campus	Regional Campus – Samoa	Regional Campus - Lautoka
	Revenue and Receivables		Integrity of Financial Systems
	Capital Projects – Planning and Governance		
		36 Days Allocated	20 Days Allocated
Quarter 3	Book Shop/Computer Shop	Regional Campus – Solomon Islands Follow Up	Integrity of Fixed Asset Management
	Debtors control/cash receipting	Purchase and Procurement	
	Properties and Facilities		
		21 Days Allocated	24 Days Allocated
Quarter 4	Student Support Services	Academic Programs	
	Occupational Health and Safety	Research	
	Student Registration and Academic Fees		
		14 Days Allocated	9 Days Allocated
Total	93 Days Allocated	75 Days Allocated	57 Days Allocated

C. Compliance plan for areas of review that are not follow ups (2016)

Quarter	Area	Time Allocation (Days)
Quarter 1		0
Quarter 2	Properties and Facilities - Fund Allocations, payments, quotations	15
Quarter 3	Finance - Payments - staff claims, mobile phone usage and travel claims	15
	Properties and Facilities - Maintenance	15
Quarter 4	Properties and Facilities - Engineering and Designs	15
	Finance - Receivable (Student Debtors)	15
Assurance Framework		10
Total Number of Days Allocated		85

2017 proposed coverage: schematic outline

Area	Time Allocation (Days)
Finance compliance reviews (two reviews)	30
Student administration reviews (three reviews)	45
Assurance Framework	10
Total number of days allocated	85

2018 proposed coverage: schematic outline

Area	Time Allocation (Days)
Finance compliance reviews (two reviews)	30
HR administration and payroll compliance (five reviews)	75
Assurance Framework	10
Total number of days allocated	115

INTERNAL AUDIT REVIEWS UNDERTAKEN THAT ARE NOT GOING TO BE FORMALY FOLLOWED UP

2012

REVIEW	PROPOSED APPROACH
IRETA (Samoa)	Coverage of this area will be subsumed into the campus internal audit for Tonga. The internal auditors will be provided with the report for planning purposes.
Graduate School of Business	There were only four minor recommendations made in this audit. It not thought to be a good use of limited resources to follow this up. We will write to the Department to ask for feedback on the recommendations.
Strategic Plan 2010-12	The recommendations relate to a prior strategic plan. These will not be followed up.
Institute of Marine Resources	It is not thought to be a good use of limited resources to follow this up. There were eight recommendations made in the report. There have been two Directors since the report was issued. We will write to the Department to ask for feedback on the recommendations.
Professional Law courses	It is not thought to be a good use of limited resources to follow this up. There were six recommendations made in the report. We will write to the Department to ask for feedback on the recommendations.
Institute of Education (Tonga)	Coverage of this area will be subsumed into the campus internal audit for Tonga. The internal auditors will be provided with the report for planning purposes.