Audit Committee
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Paper 5

UNIVERSITY
of
GLASGOW

Internal Audit Services Unit

Annual Report 2002/2003

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Table 3 - Audit Recommendations by Category

Audit Area	*F*	*S*	*MA*
GU105 - Valuable Collections	7	8	0
GU106 - Faculty of Social Sciences	14	20	7
GU107 - Faculty of Medicine	14	18	3
GU109 - Student Unions	1	1	2
Total	*36*	*47*	*12*
Total for Previous Year (7 Final Reports)	*27*	*68*	*30*

Key	
MA	Merits Attention
S	Significant
F	Fundamental

Executive Summaries to each of the reports are shown as Appendix 1.

2.3 Follow Up Audits

An analysis of the results of our follow-up audits is shown at 3 below. Executive Summaries to each of the follow-up reports are also shown in Appendix 1.

2.4 Common Findings

The University control environment is largely devolved. Key control processes therefore tend to operate at the level of faculty, department and section although there are obviously a number of over-arching controls which operate across the institution. Notwithstanding the devolved control environment we have been able to identify a number of common findings which apply across more than one of the areas which we have reported upon this year.

Asset Register: A number of audit reports reflected the generally unsatisfactory nature of asset registers. A key concern here is security of University assets – if you don't know what you have how will you know if it goes missing?

Purchasing Procedures: We identified many instances where budget holders had failed to observe the University's Purchasing Regulations with regard to seeking quotations and tenders. Contravening regulations by failing to obtain quotations and tenders may indicate that the University is not obtaining optimum value for money. In addition it may be a sign of a lack of probity in dealing with suppliers.

Data Protection: We discovered a number of areas where there was insufficient awareness of data protection legislation on the part of administrative staff handling personal data. This had led to inappropriate action (for example lack of reference to data protection on the booking form used for conferences and courses, failure to register holdings of personal data with the University's Data Protection Officer). This is a complex area which will become even more difficult when the legislation on freedom of information is enacted. In all of the cases which we discovered we recommended that the University's Data Protection Officer was contacted for advice. We also informed the Data Protection Officer of the nature of our findings.

Table 4a - Implementation of Recommendations - by Report

Report	F	P	N	T	%
GU90R – Accommodation Office	10	6	2	18	72
GU91R - Research & Enterprise	44	7	4	55	86
GU94R - Hospitality Services	9	29	3	41	57
GU95R - Development & Alumni Office	10	9	8	27	54
GU96R – Payroll	2	7	2	11	50
GU98R - Treasury Management	3	3	4	10	45
GU101R - Media Services	7	13	5	25	54
GU103R – Procurement	1	4	3	8	38
Total	***86***	***78***	***31***	***195***	***64***

Table 4b - Implementation of Recommendations - by Category

Status	F	P	N	T	%	Previous Year
Fundamental	15	31	7	53	58	52
Significant	39	37	16	92	62	40
Merits Attention	32	10	8	50	87	43
Total	***86***	***78***	***31***	***195***	***64***	***43***

The category “Partially Implemented” was introduced when it became clear that in a number of audits, for some recommendations, while action had been taken it had fallen short of what was required. In order to calculate an implementation rate a weighting of 0.5 is assigned to each partially implemented recommendation.

The overall implementation rate is up on the previous year by a considerable margin. However it is worth recalling that the implementation rate for the previous year was itself distorted by the low rate of implementation of our recommendations in relation to one particular audit (the Arts Faculty).

Progress against Planned Work

A summary of activity against the plan is shown as Appendix 2 to this document. The adjusted annual plan for 2002/2003 anticipated an input of 546 days of audit activity. A total of 491 days was achieved (90%, the corresponding figure for 2001/2002 was 91%). The main reason for the shortfall is the fact that the planned recruitment for the vacant post in Internal Audit has not yet taken place.

The audit plan was adjusted mid-year when it became apparent that, as a result of the control environment being less favourable than we anticipated, the resources allocated to Social Sciences and the Faculty of Medicine, were not adequate. In addition we increased the allocation to follow up audits due to concerns about the quality of management representations received. As a consequence of this, a number of audits that we had planned to carry out during the year have been carried forward into this year’s plan.

The University is now making a substantial investment in improving corporate systems. We now require first class stakeholder management and project management to ensure that the University has systems which are fit for the purpose of managing the University. These matters are being addressed in the course of the development of the University's Information Strategy (see 4.2.3 below) now the responsibility of the newly constituted Information Policy and Strategy Committee.

4.2.2 Compliance

The University faces a growing problem in relation to compliance. Increasingly new legislation (for example the Freedom of Information (Scotland) Act) and new requirements (for example the application of the Turnbull Framework) are creating a need for the institution to act and to manage in a consistent manner. However the University's system of administration is largely devolved. A large degree of devolution is inevitable within an organisation that has more than 1,000 budget holders. Faculties, and departments within faculties, have evolved varied working practices in order to perform essentially the same function.

To a certain extent these varied practices might be seen simply as healthy pluralism, an inherent characteristic of the University. However the pressure on the University to act in a consistent manner and the possibility of legal sanctions should we fail to do so, will inevitably create a tension with the University's established devolved practices. Against that background it is more important than ever that the University has in place effective internal controls aimed at preventing serious contravention of University regulations or, failing that, detecting such breaches should they occur.

As I noted in last year's report to the Committee the University has many regulations but few mechanisms to enforce compliance (or even to report on non-compliance). We should not create regulations without an appropriate mechanism to enforce compliance or at least to report upon non-compliance.

It is likely that the demand for a consistent response across the University in response to legislation such as the Freedom of Information Act will have resource implications. Experience of the Data Protection Act indicates that the University as a high profile organisation has a propensity to attract many subject access requests – anecdotal evidence suggests that since the Act came into force we have had more subject access requests than all other Scottish higher education institutions combined. The Freedom of Information Act is potentially a much more difficult piece of legislation from a compliance viewpoint. Unlike the data protection legislation a person making a request for information need have no prior relationship with the University.

In short compliance is a large issue which is likely to assume more prominence in the future than it has in recent times. This is a matter of concern not only for the University's senior management but also for the members of the governing body given their new responsibilities under the Turnbull framework.

4.2.3 Development of the Information Strategy

Members of the Committee are aware that the University has in hand a substantial project aimed at developing an Information Strategy. Individual components of the strategy were delegated to working groups convened by a member of staff who had to carry out the sometimes onerous duties concurrently with his or her normal day job. The areas covered by the working groups were as follows:

course of the year the Computing Service introduced e-mail filtering software and procedures following a successful trial. Early indications are that this measure has had a material effect in cutting down the amount of spam received in individual mail boxes.

Policy on Internet Abuse – Peer to Peer Networks & Copyright Theft
In the course of the year I raised with the Director of Information Services my concern at the risk to the University arising from the possibility that University assets might be used to commit copyright theft through the use of peer to peer (P2P) networks. On the Internet a P2P network is a type of transient Internet network that allows a group of computer users with the same networking program to connect with each other and directly access files from one another's hard drives. A key feature is that there is no centralised server – users exchange files with each other directly. Most common are the exchange of copyrighted material such as music files. There are two separate risks arising to the University from this source.

First of all, in relation to breach of copyright itself, the music industry in an effort to make up for lost revenue due to declining sales, is showing an increasing tendency to sue people who are illegally distributing music online.

A second and potentially more serious risk arises from the fact that the use of P2P networks can compromise the security, integrity and possibly the viability of the host network, in this case the University's network. It is well established that certain types of files can be used to disguise computer viruses and without adequate security there may be considerable damage to the University's operations and its reputation.

The Director of Information Services has indicated that this matter is being considered as part of the University's developing Information Strategy.

4.2.5 Strategic Risk Management Committee

As part of the institution's arrangements for Turnbull compliance a Strategic Risk Management Committee was constituted as a sub-committee of the Audit Committee. The Strategic Risk Management Committee, convened by the Director of Finance, adopted an approach to risk management that was based upon the institution's strategic plan. The Committee considered the objectives set out in the strategic plan and, in relation to each, attempted to define "alert mechanisms" which might indicate if there was a risk that the objective might not be achieved and a counter measure which should be taken to facilitate recovery if this proved to be the case.

In attempting to apply this methodology the members of the committee came to the conclusion that the plan, as framed, was not sufficiently specific. In particular a number of the objectives were expressed in general terms such that it would not be possible to diagnose when the institution was failing and therefore to design appropriate counter measures. This insight led to a re-drafting of the strategic plan with objectives stratified by levels. High level objectives (for example "to achieve international distinction in research") are broken down into lower level objectives (for example "to achieve five and five star for all units submitted in the next Research Assessment Exercise"). In this way so called SMART (specific, measurable, achievable, relevant and time bound) objectives are developed which are used to guide the University.

Strategic risk management present considerable challenges within an organisation as complex and diverse as the University of Glasgow. In my opinion the Strategic Risk Management Committee has made a useful start in defining the framework that should

GU105 – Valuable Collections

Our overall conclusion is that there are 7 Fundamental and 8 Significant issues which need to be addressed in relation to the areas reviewed within the Hunterian Museum and Art Gallery. Our principal findings and recommendations with the appropriate classifications are as follows:

Findings and Recommendations	***Category***
Cataloguing Catalogues are not complete and the degree of documentation varies between different parts of the collection. We were informed that a completed inventory will not meet the deadline of October 2003 (given by management when this area was last audited.) The lack of a complete and accurate catalogue increases the security risk and we have therefore recommended that a new deadline should be set for completion and all cataloguing should be computerised. (4.1.1)	Fundamental
Accountability & Responsibility There is a lack of clarity regarding responsibility for maintenance of University artworks around the campus. There is no complete register of the items. We have recommended that this matter is discussed with senior management and a comprehensive register should exist detailing the University's artworks. (4.1.2)	Fundamental
Recording Information Information needs of the HMAG Management are not being met by the current computerised cataloguing system. We have recommended that a suitable system should be in place to meet the needs of Management. (4.1.3)	Fundamental
Insurance Cover The insurance cover in the HMAG does not reflect the value of the collections. We have recommended that discussions take place between HMAG Management and senior University management and appropriate action taken to ensure that the HMAG collections are adequately insured. If necessary, external advice should be sought. (4.4.1)	Fundamental
Location of Collections on Campus The location of collections requires to be documented for insurance purposes however, the location of all items is not known and certain items have not been located for 20 years. For both security and insurance purposes, we have recommended that the location of collections is accurately documented and kept up-to-date. (4.4.2)	Fundamental

both for security and insurance purposes. (4.3.2)

Insurance – Anatomy & Pathology Collections Significant

The anatomy and pathology collections are only insured under the heading of 'material damage' therefore there is no specific value attached to them. We have recommended that a review takes place to decide whether or not the insurance cover is adequate. (4.4.3)

Insurance – Additional Cover Significant

When additional insurance cover is required a request is sent to the Finance Office to carry out the appropriate action. However, the HMAG will only receive a response by exception, if there is a problem. We have recommended that the HMAG request a response at all times to ensure the request has been received and actioned. This should also help avoid the potential risk of lost requests going unnoticed. (4.4.4)

Resources – Staff Significant

Due to staff shortages, the location of HMAG artworks on loan is checked only once every 4 to 5 years. We have recommended that this check should take place on an annual basis and that the HMAG have adequate resources to maintain its collections. (4.6.2)

Reconciliations Fundamental

Reconciliations against the Finance Office printouts are not carried out. All budget centre transactions should be reconciled against the Finance Office printouts. The reconciliation should be evidenced as checked and any anomalies should be highlighted and any required corrective action documented and pursued (4.2.1).

Purchasing Procedures Fundamental

We noted a number of breaches of the University's purchasing procedures. Quotations or tenders were not sought when it was appropriate to do so, non-approved suppliers were used and a warranty was completed with the details of the member of staff rather than in the name of the University. Purchasing procedures should be observed in respect of purchases exceeding the quotations and tender thresholds. Where possible, approved suppliers should be used with whom warranties have already been established (4.3.1).

Use of Expense Claim Procedure Fundamental

We noted a number of instances where the expense claims procedure was used in an inappropriate manner. Payments were made for work done by a member of staff who then claimed reimbursement for the payments. We have recommended that claims made should be in accordance with the regulations detailed in the expenses procedures (4.3.2).

Expense Claim Receipts and Timing of Submissions Fundamental

Supporting receipts are not always provided and claims are not always submitted timeously. Claims should be supported with receipts, where receipts can reasonably be expected and expense claims should be made within two months of the expense being incurred (4.3.3).

Overtime Overpayments Fundamental

A number of payments were made in contravention of the rules relating to overtime, and overpayments were made as a result of the incorrect completion of the claim form. We have recommended that claimants and those who authorise forms should familiarise themselves with the regulations and ensure that claims are completed correctly. We have also recommended that overpayments should be repaid to the University (4.4.1).

Additional Payments Fundamental

Additional payments were claimed by the submission of invoices rather than the appropriate fee payment authority form. There is no supporting documentation regarding the claims. Claimant and claim authorisers should ensure that the appropriate form is submitted for additional payments and the claims should be supported with have been granted this should be documented (4.1.7).

Raising Sales Invoices — Significant

We noted a number of serious shortcomings in the manner in which sales invoices are managed, resulting in a lack of assurance as to the completeness of income received and receivable. We have recommended a number of steps to address the shortcomings identified including measures to ensure the sequential integrity of sales invoice numbers, improved liaison with the Finance Office and the introduction of cancellation charges (4.1.8).

Income – Monitoring — Significant

We noted a lack of controls designed to ensure completeness of income. There is no document held on file against which to check that all income has been received and no monitoring reports are produced. Summary control reports should be produced, evidenced as checked by a senior member of staff and someone other than the person who deals with the administration of the event (4.1.9).

Commitment Accounting — Significant

A record of committed expenditure is not maintained. There should be a commitment accounting system so that it is possible to determine accurately the funds available in a budget centre at any given time (4.2.2).

Delegation of Financial Authority — Significant

There is no up-to-date delegation of financial authority form. Financial authority should be formally delegated by completing the delegation of financial authority form and submitting it for approval. Management should ensure that documentation is appropriately signed and authorised for example, purchase order forms, overtime claim forms, expense claim forms (4.2.3).

Management of Budget Centres — Significant

Many of the people recorded as budget holders are ex-employees of the University, and some of the budget centres are no longer used. Some departments have requested that budget holders are updated however this has not yet been actioned by the Finance Office.

We noted a number of “other services rendered” budget centres with little or no movement, a zero balance or a debit balance. An exercise should be carried out to ensure that budget holders are recorded correctly and to identify budget centres which should be closed. (4.2.4).

Authorisation of Expense Claims	Significant
Expense claim forms are not always appropriately completed and authorised. Claim forms should be completed and appropriately authorised (4.3.11).	
Overtime Pre-Authorisation	Significant
Overtime is not pre-authorised in writing and no record is maintained of all overtime worked. Overtime should be pre-authorised in writing and a controlling record should be maintained of overtime worked so that it can be checked against overtime claimed, prior to authorisation (4.4.3).	
Discretionary Funds - Debit Balances	Significant
Prior Finance Office approval was not obtained for debit balances on 2 budget centres. Overdrawn balances are not permitted without prior arrangement with the Finance Office and then only in exceptional cases (4.7.1).	
Discretionary Funds - Sources of Income	Significant
The source of income to discretionary budget centres is not always appropriate, for example income from the sale of a journal (approximately £196k was credited in July 2002). Only appropriate income, as defined in the Finance Office Handbook, should be credited to a discretionary fund (4.7.2).	
Discretionary Funds – Use of Funds	Significant
Due to the restrictions on the use of discretionary funds, income which should have been credited to a discretionary fund was credited to a departmental running cost budget centre so that it could be used, for example to pay for a departmental Christmas meal. Management should ensure that income is credited to the appropriate budget centre. Expenditure incurred regarding staff Christmas parties, should not be met from departmental running costs (4.7.3).	
Data Protection	Significant
There is no reference to data protection on a registration form used in one department. Departments should ensure that they are complying with Data Protection legislation (4.8).	

Payroll – Overpayments

Fundamental

A clerical error resulted in substantial overpayments to a number of staff. These amounts are currently being pursued but Internal Audit has discovered evidence to indicate that the record keeping in relation to this is unsatisfactory - we noted one repayment of approximately £1,000 which was not recorded. Adequate records should be retained to ensure that accurate payments are made for work done. The Faculty should ensure that all overpaid amounts are identified and recovered (4.2.1).

Reconciliations

Fundamental

Reconciliations against the Finance Office printouts are not carried out. All budget centre transactions should be reconciled against the Finance Office printouts. The reconciliation should be evidenced as checked and any anomalies should be highlighted and any required corrective action documented and pursued (4.3.1).

Discretionary Funds - Sources of Income

Fundamental

We reviewed a sample of transactions and found that the type of income being credited to discretionary funds is not always appropriate. In many instances, waived remuneration is being credited to budget centres where the person waiving the fee is also the budget holder. This is contrary to University procedures which themselves are dictated by Inland Revenue regulations. Only appropriate income, as defined in the Finance Office Handbook, should be credited to a discretionary fund. Remuneration waivers should be arranged in accordance with the guidance provided in the Handbook (4.4.1).

Sales Invoices – Conference Income

Fundamental

We noted a number of problems in relation to the raising of sales invoices regarding conference income. In particular we recommend that sales invoices should always be raised when fees are not received with the registration form and, wherever possible, cash and cheques should be directed to the Finance Office. It is not desirable that they are received within divisions due to the increased risk of misappropriation or theft by external parties (4.6.1).

Conference Fees

Fundamental

We were unable to find any documentation on file authorising conference fee waivers which had been granted. We recommend that an explanatory note should be recorded and appropriate authorisation obtained in writing for waived or reduced fees (4.6.2).

Raising Order Forms Significant

We noted a number of shortcomings in relation to the raising and retention of order forms. We recommend that purchasing arrangements are improved to facilitate compliance with purchasing regulations (4.1.8).

Use and Authorisation of Order Forms Significant

Purchase orders forms are not always appropriately authorised and when faxing, the back of the form is not faxed. Order forms should be appropriately authorised and both the front and the back of the order form should be sent when faxing (4.1.9).

Evidence of Receipt Significant

Receipts are not always retained for purchases and no other evidence of receipt and checking is recorded. Receipt of goods and services should be checked, evidenced and dated (4.1.10).

Invoice Authorisation and Processing Significant

Invoices are not always appropriately authorised. We noted one instance where the invoice was made out to the budget holder and the budget holder authorised the apron slip. Management should ensure that invoices are appropriately authorised and addressed to the University rather than an individual (4.1.11).

Purchasing Training Significant

Staff who deal with purchasing have not attended a Purchasing training course. This practice contravenes the University's Purchasing Regulations (4.1.12).

Overtime Form Completion Significant

From our sample we noted an overtime claim where the hours worked were not recorded correctly on the form. Payroll detected the error and corrected the form. Additional hours worked by members of staff should be paid at the appropriate overtime rate. The claim authoriser should ensure that the form has been completed correctly prior to authorising the form (4.2.2).

Overtime Procedures Significant

Overtime is not pre-authorised in writing and no record is maintained of all overtime worked. Overtime should be pre-authorised in writing and a controlling record should be maintained of overtime worked so that it can be checked against overtime claimed, prior to authorisation (4.2.3).

Asset Check Significant

An asset check is carried out on an annual basis however the check is not evidenced. The Head of Division is not informed if an item cannot be located. We recommend that assets which cannot be located should be formally reported to the Head of Division. The Head of Division, who is responsible for all the divisional assets, should ensure that un-located assets are located or appropriate action taken (4.7.3).

Asset Loans Significant

Assets are given out on loan however there is no procedure in place to control their movement. Management should ensure there is a log that records asset loans. The log should be the responsibility of one person who should ensure that the item is signed in and out (4.7.4).

Data Protection Significant

There is no reference to data protection on the booking forms used for conferences and courses. The University's Data Protection Officer has not been informed of the database held by the division. This is a contravention of the University's data protection regulations as set out by the Secretary of Court (in a memo to all Heads of Department) on 29 November 2001. The University's Data Protection Officer should be informed of the database held by the division and those responsible for maintaining the personal information held on the database should ensure that they are complying with the Data Protection legislation (4.8).

GU90R – Accommodation Office

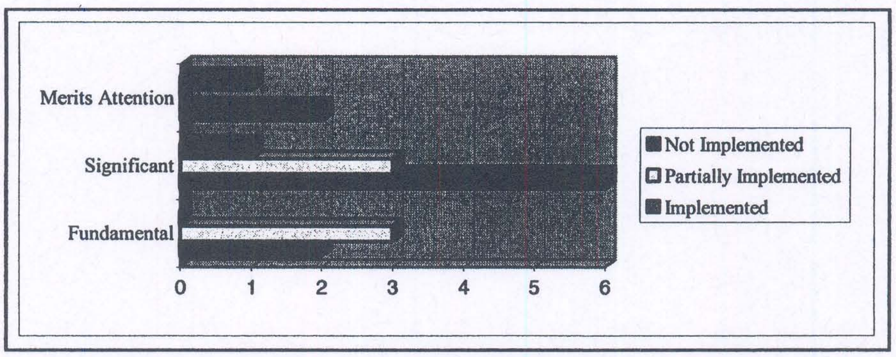
2.1 The programme of agreed action identified 20 areas where improved control was necessary. Two of the points are no longer applicable and the position regarding the remaining points, shown by the follow up audit is as follows:

Status of Recommendation	***Total***	***I***	***PI***	***NI***
Fundamental	5	2	3	0
Significant	10	6	3	1
Merits Attention	3	2	0	1
Total	***18***	***10***	***6***	***2***

Key

I - Implemented
PI - Partially Implemented
NI - Not Implemented

Implementation of Recommendations



2.2 As the table at 2.1 illustrates 15 recommendations were classified as *Fundamental or Significant* and 8 have been implemented. As a consequence, procedures have been implemented to ensure that:

- financial information is relevant and accurate (GU90, point 4.1.1);
- the Business Plan and Mission are kept up to date and relevant (GU90, point 4.2);
- overtime is pre-authorised in writing, where possible (GU90, point 4.4);
- personal purchases are no longer made through the University system (GU90, point 4.5.1);
- expense claim forms are completed accurately and items are coded correctly (GU90,point 4.6.1); and
- asset registers are maintained in the recommended format (GU90, point 4.8.2).

We have been informed that stocktaking procedures and documentation have been improved and that access to stock has been reduced as much as is operationally possible (see GU90, points 4.9.2 and 4.9.3). While we accept these management representations we believe that there is a residual risk arising from the fact that access levels remain relatively high. This is exacerbated by the lack of operational stock records which could lead to a delay in immediately identifying a loss (see GU90r, point 4.1.3 below).

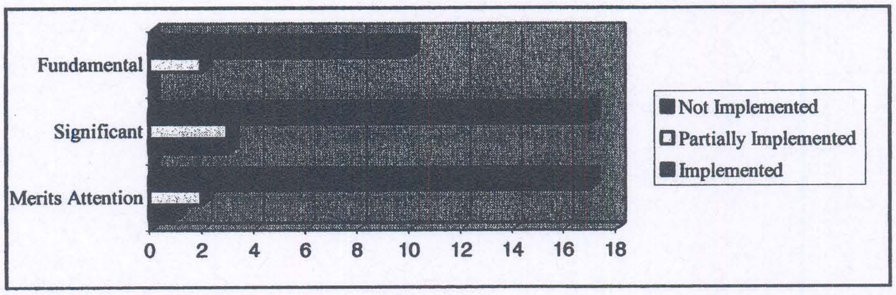
GU91R – Research & Enterprise

2.1 The programme of agreed action identified 58 areas where improved control was necessary. Two "Fundamental" points and one "Merits Attention" point were no longer applicable (the systems to which they applied were no longer in operation) and have therefore not been reported upon. When these points are excluded the position shown by the follow up audit is as follows:

Status of Recommendation	*Total*	*I*	*PI*	*NI*
Fundamental	12	10	2	0
Significant	23	17	3	3
Merits Attention	20	17	2	1
Total	*55*	*44*	*7*	*4*

Key
I - Implemented
PI - Partially Implemented
NI - Not Implemented

Implementation of Recommendations



2.2 As the table at 2.1 illustrates 35 recommendations were classified as *Fundamental or Significant* and 27 have been fully implemented. As a consequence, accountability for the department's performance has been clarified; there is clearer definition of delegated authority; procedures and practices in respect of grant and contract administration have been improved; and licensing agreements relating to royalty income have been improved to assist the University in claiming all of the income to which it is entitled. In accordance with our normal practice the remaining outstanding Fundamental and Significant points are reported upon in Section 4.1 of this report.

2.3 It has been clear from the follow up review that staff within Research and Enterprise have demonstrated a high level of commitment to implementing the recommendations made in the original audit report. The follow up has demonstrated that there has been considerable improvement in the period concerned. The benefits arising from this are summarised at 2.2 (above). Also, in relation to recommendations which have not been implemented or fully implemented, it should be noted that in certain cases (for example 4.1.1 below) that Research and Enterprise have arguably done as much as could be expected and responsibility for full implementation may belong elsewhere in the University.

GU94R – Hospitality Services

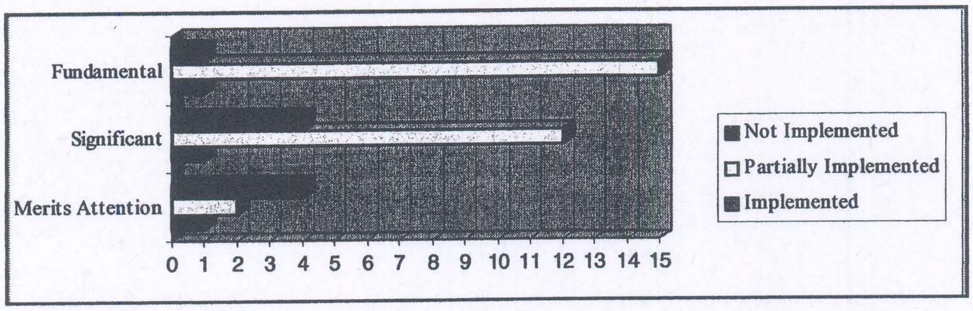
2.1 The programme of agreed action identified 41 areas where improved control was necessary. The position shown by the follow up audit is as follows:

Status of Recommendation	*Total*	*I*	*PI*	*NI*
Fundamental	17	1	15	1
Significant	17	4	12	1
Merits Attention	7	4	2	1
Total	***41***	***9***	***29***	***3***

Key

I - Implemented
PI - Partially Implemented
NI - Not Implemented

Implementation of Recommendations



2.2 As the table at 2.1 illustrates 34 recommendations were classified as *Fundamental or Significant* and 5 have been fully implemented. As a consequence: there is a suitable system in place for ensuring regular payments are checked to ensure they are not paid more than once; the practice of withholding takings to be used as till floats has ceased; whilst the number sequence for sales invoices and credit notes is not separate they are automatically generated; there is a suitable system in place to check and evidence the receipt of goods and services; and no expenditure on Christmas parties has been met from departmental running costs (see GU94, points 4.5.4, 4.3.11, 4.4.3, 4.5.5 and 4.5.6 for further details). In accordance with our normal practice the remaining Fundamental and Significant points are reported upon in Section 4 of this report.

2.3 The main matters of concern arising from the recommendations which have not been implemented are:

- There is insufficient segregation of duties in one-person cost centres and ad hoc checks are not carried out in the remaining units (4.1.1).
- A documented marketing strategy has not been developed and costings and financial reports are not produced regarding the effectiveness of marketing initiatives (4.2.1).

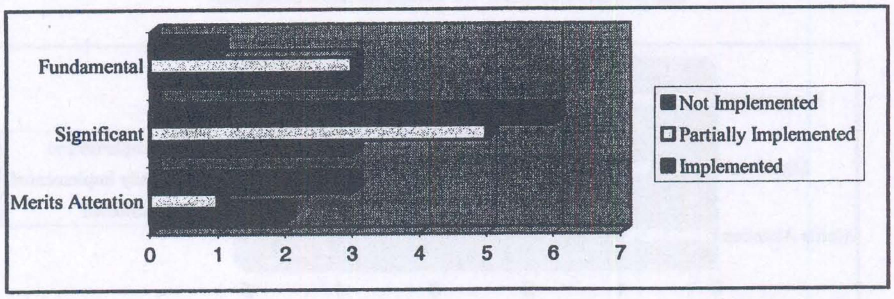
GU95R Development and Alumni Office

2.1 The programme of agreed action identified 28 areas where improved control was necessary. One "Significant" point was no longer applicable (the system to which it applied is no longer in operation) and has therefore not been reported. When this point is excluded the position shown below by the follow up audit is as follows:

Status of Recommendation	*Total*	*I*	*PI*	*NI*
Fundamental	7	1	3	3
Significant	14	6	5	3
Merits Attention	6	3	1	2
Total	***27***	***10***	***9***	***8***

Key
I - Implemented
PI - Partially Implemented
NI - Not Implemented

Implementation of Recommendations



2.2 As the table at 2.1 illustrates 21 recommendations were classified as *Fundamental or Significant* and 7 have been fully implemented. As a consequence: income is recorded, banked and reconciled appropriately; expenditure is reconciled; accounts codes are used correctly; staff overtime is recognised; budget centres have been rationalised and documentation is in place with regard to delegating financial authority. In accordance with our normal practice the remaining Fundamental and Significant points are reported upon in Section 4.1 of this report.

2.3 The main matters of concern arising from the recommendations which have not been implemented are:

- purchasing procedures are not being observed in respect of purchases exceeding the quotations threshold (4.1.1);
- the department does not have a documented marketing plan (4.1.2);
- there is no commitment accounting (4.1.3);
- goods and services are not being checked and evidenced (4.2.1);
- expense claims are not being made timeously and the appropriate receipts are not attached (4.2.2); and
- disposals of assets are not recorded appropriately on the asset register (4.2.3).

GU98R – Treasury Management

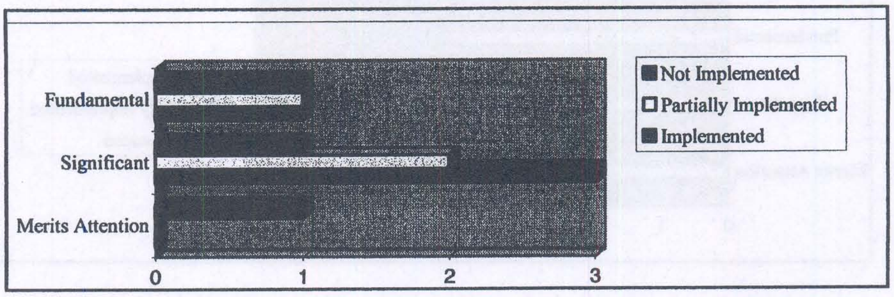
2.1 The programme of agreed action identified 11 areas where improved control was necessary. One of the Significant points is no longer applicable and has been excluded from this review (previous audit point 4.4.1). The position shown by the follow up audit is as follows:

Status of Recommendation	*Total*	*I*	*PI*	*NI*
Fundamental	3	1	1	1
Significant	6	1	2	3
Merits Attention	1	1	0	0
Total	*10*	*3*	*3*	*4*

Key

I - Implemented
PI - Partially Implemented
NI - Not Implemented

Implementation of Recommendations



2.2 As the table at 2.1 illustrates 9 recommendations were classified as *Fundamental or Significant* and 2 have been fully implemented. As a consequence: Committee extracts relating to the operation of the treasury function are retained in the Treasury Section of the Finance Office; and a record is made and retained which provides a documented explanation for each query which has arisen on reconciliation of the accounts (see GU98, points 4.1.2 and 4.3.1 for further details). In accordance with our normal practice the remaining Fundamental and Significant points are reported upon in Section 4 of this report.

2.3 The main matter of concern arising from the recommendations which have not been implemented is that there is no documented and formally approved treasury management strategy, policy or procedures (4.1.1).

2.4 The contribution of the treasury function can be gauged by the following summary. For the first 8 months of financial year 2002/03 interest received on funds on deposit was approximately £454k and bank interest repayment was £330k. (The bank interest repayments include interest on a loan of £10m to fund the refurbishment of the St. Andrew's Building, and SHEFC have agreed to pay the interest charges. The remainder of the bank interest repayments include interest that was incurred due to the inclusion of the Development Campaign Office (DCO) account balance in error, when calculating available funds).

GU103R - Procurement

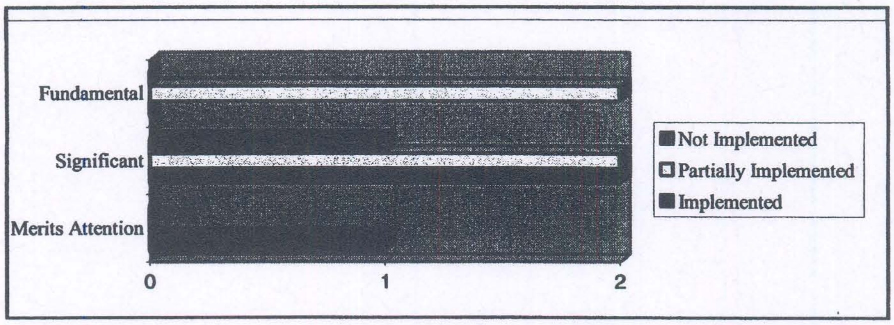
2.1 The programme of agreed action identified 8 areas where improved control was necessary. The position shown by the follow up audit is as follows:

Status of Recommendation	*Total*	*I*	*PI*	*NI*
Fundamental	2	0	2	0
Significant	5	1	2	2
Merits Attention	1	0	0	1
Total	*8*	*1*	*4*	*3*

Key

I - Implemented
PI - Partially Implemented
NI - Not Implemented

Implementation of Recommendations



2.2 As the table at 2.1 illustrates 7 recommendations were classified as *Fundamental* or *Significant* and 1 has been fully implemented. As a consequence, a suitable benchmarking tool has been implemented (see GU103, point 4.1.2 for further details). In accordance with our normal practice the remaining Fundamental and Significant points are reported upon in Section 4 of this report.

2.3 The main matters of concern arising from the recommendations which have not been implemented are: a formalised feedback procedure is still to be implemented (4.2.1); and there is no procedure in place to identify higher rate telephone service users and as a result they are benefiting from reduced call charges at the expense of other users (4.2.2).