University of Abertay Dundee

2010/11 Annual Report

November 2011

Deloitte.

Contents

1. Introduction

We have now delivered the 2010/11 Internal Audit Plan as approved by the Audit Committee which covers the year ended 31st July 2011. The purpose of this report is to summarise the results of our work undertaken during the year.

2. Sources of Assurance

We are required to provide the Audit Committee with an Annual Internal Audit Statement. In assessing the level of assurance to be given, we have taken into account:

- All Internal Audits completed during the year;
- The University's actions taken in response to our audit recommendations;
- Whether fundamental or significant recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the University's objectives or systems; and
- Whether or not any limitations have been placed on the scope of internal audit.

3. Executive Summary

As Internal Auditors, our role is to provide the Audit Committee, Court and University Management with independent assurance as to the adequacy and effectiveness of the systems of internal control we review and to report weaknesses identified together with recommendations for improvement. We fulfil this role by performing appropriate Internal Audit work in accordance with the annual Internal Audit plan approved by the Audit Committee.

The purpose of this paper is to present our Annual Report to the Audit Committee for the Internal Audit work conducted in relation to the financial year 2010/11. A table summarising the areas covered during the period is included in the activity summary in **Appendix 1**, and our Annual Internal Audit Statement is included on page 4.

We have completed the Internal Audit Plan for 2010/11 which included a total of seven projects. One project, Review of Value for Money Arrangements, was deferred at the request of management. We were also asked to conduct an additional investigation in line with the University's Public Interest Disclosure Act Policy, which was not part of the Internal Audit Plan. The results of this investigation have been separately reported to the Committee.

3. Executive Summary (continued)

We raised a total of 38 recommendations. No high priority issues were raised in our reports during the year. The key messages for the Audit Committee regarding the 2010/11 Internal Audit results are as follows:

- Business Continuity Planning – our overall conclusion is that there is scope for improvement over business continuity practices. We raised seven moderate priority findings highlighting in particular the need to have a policy document to establish the overall context and framework for underlying plans, the need for regular update and review of plans, and for a routine testing programme.

- Research Grants Process - our review of the research grants process concluded that it is generally effectively managed, although testing was necessarily limited because few grant applications had been entered on the new database system at the time of our review. We raised five moderate priority findings which highlighted methods of improving the recording of control processes on the database, and also recommended that budgets are profiled over the life of projects to enhance controls over expenditure.

- Performance Management and Staff Development – our work indicated that the University has generally made good progress with implementing the Pathways project for staff performance and appraisal. However, the system operation is wholly reliant on one key person, and as important tasks and processes are not documented, there is a risk that this knowledge could be lost if this key member of staff left or was unavailable. In total four moderate priority issues were raised. The other points related to submission rates for forms, and the need to develop a coherent framework for oversight and review of expenditure on training and staff development.

- Review of Financial Control Framework – this review identified further progress by the University Finance Department in improving and maintaining financial controls. In total, from an overall framework of 120 controls, 114 (95%) were found to be operating effectively. The remaining controls required only minor improvement and five low priority recommendations were raised.

3   Executive Summary (continued)

- Our review of TRAC indicated that the University is compliant with the Research Councils UK Quality Assurance and Validation (QAV) requirements. We raised three moderate and three low priority recommendations for improving TRAC process and procedures. The moderate priority findings relate to the need to reconcile Full Time Equivalent (FTE) staff numbers between the TRAC return and annual accounts. The University had also calculated the required TRAC infrastructure and return for financing and investment adjustment inaccurately. These findings were used by the University to rectify the University's approach prior to submission of the TRAC return.

- Our review of Health and Safety Governance raised five moderate priority issues and concluded that there are some areas where the University's existing controls and processes could be improved. We found that risk assessment records were out of date in four out of five Schools sampled, and identified the need for improved sign off and centralised filing. Some formal inspections were not taking place as frequently as prescribed in the H&S Policy, and formal follow up reviews were not always taking place. We also identified that some new starts had not been trained on induction and noted issues with evidencing staff awareness and training records being out of date.

- A total of 21 recommendations were raised in 2009/10, none of which were graded as High Priority. Our Follow Up Review concluded that steady progress had been made on closing out prior year recommendations with 13 (62%) of the recommendations being fully implemented and a further five (24%) partially implemented. Of the remaining recommendations, one was not yet applicable and two had not been implemented. We also followed up on recommendations from earlier years which were identified as not fully implemented at the time of our last follow up review. Out of 13 recommendations, we noted that four were now fully implemented. This included one outstanding High Priority recommendation related to setting targets and Key Performance Indicators for procurement costs. The remaining nine recommendations were of Moderate or Low priority gradings, and all were assessed to be partially implemented. We noted that the actions required for full implementation were generally of a more substantial nature, and that progress had been made since the time of our last review.

4 Internal Audit Annual Statement

As Internal Auditors we are required to provide the Audit Committee with an Annual Internal Audit Statement. The University Court and its management are responsible for ensuring that system of control, financial and otherwise, is established and maintained. This is in order to carry on the operations of the University in an orderly and efficient manner, to ensure adherence to management policies, to safeguard the assets, and to secure, as far as possible, the completeness and accuracy of records. Our responsibility as Internal Auditors is to evaluate significant systems and associated internal controls and to report to the Audit Committee on the adequacy of such controls and systems. We cannot examine the whole system of controls, financial or otherwise, nor is Internal Audit a substitute for management's responsibility to maintain adequate systems of internal control over financial and operational systems.

In considering our assessment of the framework of controls we have taken the following into consideration:

- results of audits undertaken during the year;

- follow up action taken in respect of previous year's audit work; and

- our perception of the extent of risk and control awareness amongst the staff and management of the University.

On the basis of the work undertaken in relation to the year ended 31 July 2011, we consider that the University has appropriate controls over the systems we examined as summarised on Pages 2 and 3 (subject to the satisfactory implementation of the agreed audit recommendations). In providing such an opinion we would draw your attention to our detailed findings as presented in the individual internal audit reports issued during the year.

In giving our opinion, it should be noted that our assurance can never be absolute. Appendix 2 gives a full definition of the priority gradings which have been used to rank recommendations in our reports.

5 Acknowledgement

We would like to take this opportunity to thank the University's management and staff for the co-operation we have received in planning and completing audits within this period.

Appendix 1 – Overall Activity Summary

	INTERNAL AUDIT PROGRAMME FOR 2010/11							
	Project	**Status**	**Budget Days**	**Actual Days**	**Number of Recommendations by Priority**			
					High	**Mod**	**Low**	**Total**
1	Business Continuity Planning	**Complete**	8	10	0	7	2	9
2	Research Grants Process	**Complete**	10	11	0	5	2	7
3	Performance Management and Staff Development	**Complete**	8	9	0	4	1	5
4	Review of Overall Value for Money Arrangements	**Deferred**	10	1				
5	Review of Financial Controls Framework	**Complete**	8	8	0	0	5	5
6	Review of TRAC	**Complete**	5	5	0	3	3	6
7	Review of Health and Safety Governance	**Complete**	9	9	0	5	1	6
8	Follow Up on 2009/10 Recommendations	**Complete**	6	10	n/a	n/a	n/a	n/a
9	Contingency Allowance	**n/a**	3	1	n/a	n/a	n/a	n/a
10	Audit Committee preparation and attendance, general contract management and client liaison	**n/a**	13	14	n/a	n/a	n/a	n/a
			80	**78**	**0**	**24**	**19**	**38**

Appendix 2 – Definitions for Priority Gradings

To assist management in using our reports, we categorise each of our recommendations according to their level of priority. A summary of the definitions used can be found in the table below.

Priority	
High	High risk control weakness/improvement opportunity
Mod	Moderate risk control weakness/improvement opportunity
Low	Low risk control weakness/improvement opportunity

Appendix 3 – Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Deloitte LLP

Glasgow

November 2011

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