



University of Abertay Dundee

2011/12 Annual Internal Audit Report

November 2012



This report and the work connected therewith are subject to the Terms and Conditions of the Contract for Internal Audit services between University of Abertay Dundee and Deloitte LLP. The report is produced solely for the use of University of Abertay Dundee. Its contents should not be quoted or referred to in whole or in part without our prior written consent. Deloitte LLP will accept no duty or responsibility to any third party, as the report has not been prepared, and is not intended for any other purpose. This report is prepared on the basis of the limitations in the attached Statement of Responsibility.

Contents

1. Introduction	1
2. Sources of Assurance	1
3. Executive Summary	2
4. Annual Internal Audit Statement	4
5. Acknowledgement	4

Appendix 1 – Overall Internal Audit Activity Summary

Appendix 2 – Definitions of Gradings

Appendix 3 – Statement of Responsibility

1. Introduction

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 ended 31 July 2012. 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.

The Internal Audit Plan for 2011/12 included a total of six projects. This included an additional high level review in relation to the University's compliance with UK Border Agency requirements, which was not part of the original Internal Audit Plan.

2. Sources of Assurance

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

- all audits undertaken during the year
- the balance of probity work against value for money work
- our perception of the extent of 'control awareness' amongst the staff of the University interviewed by us
- the follow up of actions taken and the ongoing process in respect of the previous years' audit findings.

3. Executive Summary

We raised a total of 46 recommendations during the year including 5 recommendations graded as High Priority. The key messages for the Audit Committee regarding the 2011/12 Internal Audit results are as follows:

- **Review of Student Centre** – Our overall conclusion is that there remained substantial scope for improvement over the control environment operating across the Student Centre, specifically around stock and cash. We found that bar stock was not always securely stored in locked areas and that no control was operating to reconcile stock held against orders and sales levels. Cash was not always counted by two staff members under CCTV and there were different processes followed and forms completed for banking purposes across the Student Centre. In addition we identified weaknesses over the invoicing and cash collection for events held at the Student Centre, the pricing of products, staff awareness of University policy, the recruitment process, till access controls, the reporting of key performance indicators (KPIs) and the monitoring of vending machine commission payments. (This report included 2 High Priority Findings). Management has agreed a detailed action plan to take forward the points noted in our report.
- **Review of Dundee Business School** – Our review of Dundee Business School concluded that there was a generally sound and effective frameworks of controls over governance, management and financial processes in place. We raised one moderate priority finding and three low priority findings.
- **Review of Prototype Fund** – A number of factors impacted the overall project management, pace and progress of the Prototype Fund project. Our work indicated that the overall spend and grant distribution profile was significantly behind plan and that the University had not received approval in writing from ERDF or BIS for project changes or to extend the project beyond the agreed timeframes outlined in the initial grant funding letter. We also identified a lack of formal project reporting over operational areas such as applicant numbers, award numbers, spend profile and demonstrations of how and whether the project was achieving its intended objectives, as well as opportunities to review internal processes linked to the running of the project. (This report included 3 High Priority Findings). Management has agreed a detailed action plan to take forward the points noted in our report.
- **Review of TRAC** – Our review of TRAC indicated that the University's approach to completing the TRAC return is in line with the methodology issued by the Joint Costing and Pricing Steering Group. However, our testing and review highlighted a number of corrections which were made by the University's prior to submission of the TRAC return. We also identified more general opportunities to improve the TRAC process which were graded as moderate and lower risk.

Executive Summary (continued)

- **Review of UK Border Agency Regulatory Compliance (High Level Review)** – This was an additional review requested by management and involved allocating 3 additional days to this area. As such this review was a high level assessment of the arrangements in place. The University has Highly Trusted Sponsor status with the UKBA, allowing international students and employees to come to the University. We determined that the University has a structured process in place for applying for student certificates of acceptance of study (CAS), requiring that students make a 30% pre-payment of their tuition fees to demonstrate their commitment to studying at the University (thereby reducing non-enrolments) and all staff involved within the process are kept up-to-date with changes made to the legislation. However, reconciliations between SMS and the University's key systems, SITS and the HR system, were not undertaken on a regular basis. In addition, students can work on a part-time basis but the University did not monitor the hours worked by those employed at the University. We also identified scope for improvement within the provision of training to wider University staff, review of access to SMS and retention of documentation and details of staff and students. Our review included 4 moderate and 5 lower risk recommendations.
- **Follow Up Review** – 32 recommendations were raised in the five reports issued during 2010/11. Our Follow Up Review concluded that steady progress had been made on closing out prior year recommendations with 24 (75%) of the recommendations being fully implemented and a further four (13%) partially implemented. Of the remaining recommendations, three (9%) had not been implemented and one was concluded as requiring no further action. 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 17 recommendations, we noted that 11 were now fully implemented and one required no further action. The remaining 5 recommendations were of Moderate or Low priority gradings, and all were assessed to be partially implemented.

4. Annual Internal Audit 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 a 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:

- all audits undertaken during the year
- the balance of probity work against value for money work
- our perception of the extent of 'control awareness' amongst the staff of the University interviewed by us
- the follow up of actions taken in respect of the previous years' audit findings.

During the year we identified 2 High Priority findings in the Review of the Student Centre and 3 in the Review of the Prototype Fund which represent significant weaknesses in the University's control framework.

Except for the weaknesses referred to above, on the basis of the work undertaken in relation to the year ended 31 July 2012, we consider that the University generally has an adequate framework of control over the systems we examined as summarised in Appendix 1 (subject to implementation of the report recommendations). In providing such an assessment we would draw to your attention our summary findings as presented in our individual reports issued during the period and in particular to the High Priority recommendations raised during the year. The number and priority of findings for all reports issued during the year is included at Appendix 1.

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 and throughout our engagement.

Appendix 1 – Overall Internal Audit Activity Summary 2011/12

	Project	Status	Recommendations by Priority			
			High	Mod	Low	Total
1	Review of Student Centre	Complete	2	10	3	15
2	Review of Dundee Business School	Complete	0	1	3	4
3	Review of Prototype Fund	Complete	3	5	2	10
4	Review of TRAC	Complete	0	5	3	8
5	Follow Up on 2010/11 Recommendations	Complete	n/a	n/a	n/a	n/a
6	Review of UKBA Compliance	Complete	0	4	5	9
7	Audit Committee preparation and attendance, general contract management and client liaison	Complete	n/a	n/a	n/a	n/a
			5	25	16	46

Appendix 2 – Definitions of Gradings

To assist management in using our reports, we categorise each of our recommendations according to their risk. 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 2012

In this document references to Deloitte are references to Deloitte LLP.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

© 2012 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Member of Deloitte Touche Tohmatsu Limited