

<i>University of Abertay</i>	
<i>Internal Audit Annual Report 2007/2008</i>	
<i>December 2008</i>	

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Section 1 - Introduction

- 1.1 We are pleased to present our annual report to the Audit Committee in respect of the year ended 31 July 2008. This report has been prepared in line with guidance issued by the Scottish Funding Council (SFC). The main purpose of this report is to provide a summary of the internal audit work performed during the year and highlight the important findings arising.
- 1.2 As internal auditors, our role is to provide management, the Audit Committee and the University with independent assurance as to the adequacy and effectiveness of the systems of internal controls reviewed, to report any weaknesses identified, and make recommendations for improvement. We fulfil this role by carrying out appropriate audit work in accordance with the annual Internal Audit plan approved by the Audit Committee on behalf of the Court.
- 1.3 Our approach is consistent with the SFC Code of Audit Practice and guidance contained in the Government Internal Audit Standards. Our main point of contact is the Deputy Secretary and Head of Finance, although we have the right of direct access to the Principal and the Audit Committee. We meet regularly with the Audit Committee during the year.
- 1.4 We have recently undertaken an internal review of client allocations and from audit year 2008/09, [REDACTED] will be the engagement manager for the contract between Deloitte and University of Abertay Dundee. [REDACTED] holds a portfolio of clients across the public and private sectors including 3 other institutions in the education sector and will bring a fresh perspective to our work and approach.
- 1.5 During the year we issued thirteen reports containing a total of 73 recommendations (excluding recommendations within the follow-up report). This included a total of nine priority one recommendations, where immediate management attention should be focused, and these arose out of our reviews as follows:
 - Bank and Payroll Reconciliation Review Phase I – As at November 2007 not all accounts were fully reconciled and it was noted that formal reconciliations, including preparer and reviewer sign off, had not been completed. (NB: This recommendation confirmed as implemented in “Bank and Payroll Reconciliation review Phase II)
 - There is a lack of a formal timetable for the completion of the payroll reconciliations. There is also a lack of a standard payroll reconciliation template including sign off by preparer and an independent reviewer. Management should consider transferring accountability for completion and review of the payroll reconciliations to Finance. (NB: This recommendation confirmed as implemented in “Bank and Payroll Reconciliation review Phase II)

Section 1 - Introduction

- Debtors - Credit Control – The University's debt management policy should be revised to include commercial / research debt collection procedures and a more comprehensive and specific overview of student debt collection procedures. In particular, consideration should be given to developing standard milestones for taking appropriate debt recovery actions including the point at which the debt is referred to a debt collection agency or considered uncollectable.
- Debtors - Credit Control – The Accumulated Aged Debtor report as at 30th April 2008 shows that a high percentage (>90%) of student debts are overdue by more than 60 days and 61% of all student debts relate to former students demonstrating that, historically, the University has not been successful in managing current student debts. The University has also accumulated a large credit balance in excess of £1m within the student debtors system. These credit balances represent advance payments received, payments made in error and income received that has not yet been allocated to the appropriate debtor account.
- Debtors - Credit Control – Regular reconciliations between the debtor control accounts on the APTOS system and the feeder systems had not been performed since the start of the financial year (1 August 2007), as such there is a risk that the debtors' accounts contain inaccurate balances that are subsequently reported. There is an opportunity to formalise the control environment in this area and ensure that the debtors' accounts are being properly monitored on a regular basis.
- Financial Ledger & Financial Governance – There is currently no systematic process of verifying that each and every journal that is posted into the general ledger (APTOS) has been calculated correctly, is genuinely required and has been processed correctly. In addition, we found that journals are generally posted by the preparer without being subject to independent review.
- Financial Ledger & Financial Governance – We found that there is no formal process in place to reconcile all of the balance sheet accounts on a monthly basis. Further, we found that with the exception of the bank account and three suspense accounts (and the payroll accounts which have been reconciled in February 2008), none of the balance sheet accounts have been fully reconciled since the start of the current financial year in August 2007.

It should be noted that there are an additional two reports that are currently with management for comment (Tendering & Procurement and Research) and the draft Tendering and Procurement report contains the two priority one items that make up the total of nine priority one findings referred to above.

With the exception of the two reports with management, University management accepted all of the recommendations and have agreed future actions and timescales for implementation. A summary of our findings for each of the 2007/08 reviews is provided at **Section 4**.

- 1.6 We would like to take this opportunity to formally record our thanks for the co-operation and support we have received from management and staff of the University during the year.

Section 2 - Annual Statement of Internal Control

As Internal Auditors to the University we are required to provide the Audit Committee and Board of Management with an annual statement on internal control.

The University and its management are responsible for ensuring that a sound system of controls, financial and otherwise, is established and maintained in order to carry out 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 the University's systems and associated internal controls and to report to the Audit Committee and Board of Management on our assessment of the design, implementation and operating effectiveness of the controls and systems reviewed. Our work is performed in accordance with the annual Internal Audit plan approved in advance by the Audit Committee. We cannot examine the whole system of controls, nor is Internal Audit a substitute for management's responsibility to maintain an adequate level of internal control over financial and operational systems.

Final reports on the systems reviewed by us (please refer to the summaries at **Section 4** of this report) have been agreed with University management and approved by the Audit Committee. The number and priority of the recommendations raised during the year are summarised at **Section 3**.

In formulating our statement on internal control we have taken account of:

- all audits undertaken during the year;
- the balance of probity work against special investigations and value for money work;
- our perception of the extent of 'control awareness' amongst the staff of the University interviewed by us;
- follow up on action taken in respect of previous years' audit findings; and
- the overall coverage planned during the term of our contract.

*On the basis of the work undertaken in the year ended 31 July 2008, we consider that the University has appropriate controls over the systems we examined as summarised in **Section 4** of this report (subject to the satisfactory implementation of the agreed audit recommendations and particularly the five outstanding PRIORITY ONE recommendations outlined in 1.5 above and the agreement and implementation of the two Priority ONE items identified in the Tendering & Procurement report with management). 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.*

We take responsibility for this report which has been prepared on the basis of the limitations set out at Section 6.

Section 3 - Ranking of Recommendations for Year Ended 31 July 2008

Review Title	Status	Budget Days	Actual Days	Number of Recommendations (by Priority)		
				1	2	3
Bank and Payroll Reconciliation Phase I	Complete	5	3	2	1	3
Bank and Payroll Reconciliation Phase II *	Complete	0	7	-	-	3
Financial Fraud Controls	Complete	8	8	-	6	4
School Review – Computing and Creative Technologies	Complete	8	8	-	-	2
Business Continuity Planning	Complete	6	6	-	2	1
Debtors - Credit Control	Complete	6	5	3	3	1
Research Grants	Draft With Management	8	8	-	5	3
Estates Strategy and Management	Complete	10	10	-	5	-
Financial Ledger and Financial Governance	Complete	6	6	2	7	1
Transparent Approach to Costing	Complete	3	4	-	2	4
Tendering and Procurement	Draft with Management	10	11	2	5	3
Dare to Be Digital *	Complete	0	N/A	-	1	2
Follow Up on Prior Year Recommendations	Complete	5	8	N/A	N/A	N/A
Audit Committee attendance, general contract management and client liaison	On-Going	10	13			
		85	97	9	37	27

* - Review requested by management as additional work during the year

Key Priority One - Major issues that we consider need to be brought to the attention of senior management and the Audit Committee,

Priority Two - Important issues which should be addressed by the management in their areas of responsibility,

Priority Three - Minor issues where management may wish to consider our recommendations.

University of Abertay

Internal Audit Annual Report – Year Ended 31 July 2008

Section 4 - Summary of Findings

4.1 Bank and Payroll Reconciliation Phase I

Scope and Approach

The principal objectives of this review were to assess the value of the items that remained unreconciled in the payroll and bank General Ledger accounts, review progress of the implementation of a process for identifying unreconciling items, assess the adequacy of current processes to ensure the completion of the monthly reconciliations and identify the cause and nature of erroneous items that had been accumulated.

Conclusion

- **Bank Account Reconciliations**

We acknowledged that significant progress had been made in terms of developing a robust process for reconciliation of the bank account to the general ledger but we were unable to find evidence that the process had been fully embedded to a satisfactory conclusion. Although no issues were noted in terms of the timeliness of independent review and resolution of reconciling items for the 31 October reconciliation, this was not the case for the five periods prior to this. As such, we were unable to provide assurance that this process was operating effectively on a consistent basis. A further assessment of the degree of embedding and the robustness of the process was carried out in March 2008 (phase 2).

- **Payroll Control Account Reconciliations**

Our review of the payroll control account reconciliation process identified that progress had been made towards developing a robust and fully embedded process for reconciliation of payroll control accounts. The University was in a position to fully reconcile the payroll accounts assuming the subsequent posting of the identified correcting journals to the general ledger. However, due to the fact that the applicable journals had not been posted at the time of the audit, and that the closing balance position had not yet been reconciled, it was not possible to conclude or make an assessment on the robustness of the processes in place.

- **Overall**

The University still needed to demonstrate, over a period of time, that the reconciliations were regularly prepared, reviewed and all reconciling items explained and corrected in a timely manner. Therefore, we proposed to perform a Phase 2 review in March 2008 which would allow a more informed assessment of the adequacy of the processes to be embedded.

A further two minor recommendations were raised in this report around the requirement to review policies and opportunities to improve the administration of the processes.

Section 4 - Summary of Findings

4.2 Bank and Payroll Reconciliation Phase II

Scope and Approach

This phase of our review had three broad objectives, namely to assess the status of the bank and payroll control account reconciliations, including the documentation of outstanding reconciling items, to provide a further assessment of the robustness of reconciliation process for bank and payroll control accounts and to follow up on the outstanding recommendations and matters from our earlier report.

Conclusion

- **Bank Account Reconciliations**

We concluded that the bank account reconciliations completed at the February, March and April 2008 month ends had no unexplained reconciling items. They had also been prepared and independently reviewed within ten working days of the month end. Our assessment of the three recommendations raised in our previous report was that two were partially implemented ('PI') and one was not implemented ('NI'). These related to restricting access to where the bank reconciliations are stored on the network so that the risk of unauthorised access was minimised (PI), providing additional training to staff so that the process was more efficient and cover was available in periods of absence (PI), and the investigation and writing back of cheques to the General Ledger that remain unrepresented for more than six months (NI).

- **Payroll Control Accounts Reconciliations**

We found that the payroll control account reconciliations completed for the March and April 2008 month ends had no unexplained reconciling items. They had also been prepared and independently reviewed within ten working days of the month end. Our assessment of the implementation status of the two recommendations previously raised in our previous audit report was that both were now fully implemented.

- **Overall**

The timely completion of the bank and payroll reconciliations with no unexplained items gives the assurance of a fully embedded reconciliation process. It was identified as critical that these processes continued and were closely monitored.

Section 4 - Summary of Findings

4.3 Financial Fraud Controls

Scope and Approach

The scope of the review covered financial processes where there had either been a history of fraud at the University or areas where the likelihood of fraud was greater than normal. The process areas covered in this review included cash management, payroll & expenses, accounts payable, the use of purchasing cards and overall fraud awareness including the awareness of key policies such as contract standing orders, whistle-blowing, external interests and expenses policies.

Conclusion

Our overall conclusion was that the University had generally adequate control systems in place around the areas reviewed. The main areas for further focus related to the following:

- **Accounts Payable**

No system generated audit report was being run to allow management to confirm that all changes to the supplier database were valid. Furthermore, one minor issue was noted with regards to review of the purchase ledger for unusual transactions.

- **Payroll**

There was no system generated report produced which provided management with comfort that all amendments to standing data on the Payroll system were valid and authorised. Further issues were noted in relation to exception reports showing supplementary pay and the presence of non-employees in the Payroll being used to enable IT access to set up in advance of commencement of employment of a new member of staff.

- **Purchasing Cards**

The failure to provide supporting documentation by one cardholder exposed the organisation to a degree of risk in terms of the validity of those transactions. Minor issues were also noted in relation to procedural guidance for purchasing cards and outstanding items in the suspense account.

- **General Fraud Awareness**

There was no formal guidance in place for staff and management on the University policy and procedures in relation to fraud prevention, detection and investigation.

Section 4 - Summary of Findings

4.4 School Review – School of Computing and Creative Technologies

Scope and Approach

To review the financial controls and business processes within the University School and ensure that that these controls and arrangements were appropriate with regard to matters such as: student retention; recruitment; marketing; budgetary control; income generation; research activity and general School financial administration and compliance with University procedures.

Conclusion

Our overall conclusion was that adequate controls were in place over the objective areas reviewed, with controls generally operating effectively. The two areas where we raised minor recommendations were as follows:

- **Student retention and recruitment**

The School, and each of the Divisions and Courses within the School, is required to provide details of student feedback received and action taken in response as part of the annual reporting process. A minor issue was noted in relation to the variance in the level of detail included in the reporting of student feedback, with opportunities to standardise format and content of the reports and to share best practice in this area.

- **Marketing arrangements**

All marketing and communications from the School must be approved by the communications department of the University. The School can have input in terms of prospectuses, advertising, sponsorship and expert opinions to press but these should go through the central Marketing function for approval. Despite this formal requirement, one minor issue was noted in relation to a lack of co-ordination of marketing activities between the central Marketing team and the School.

Section 4 - Summary of Findings

4.5 Business Continuity Planning (BCP)

Scope and Approach

The scope of our work was to assess the BCP development activities performed to date along with ongoing/planned development activities. Focus was placed on the disaster recovery element of the BCP and included the review of current backup practices. Our approach involved interviewing appropriate University personnel involved in the BCP project, reviewing the key documentation and sample testing where appropriate.

The key objectives of the review were to ensure that a Disaster Recovery Plan had been developed and was in line with the overall BCP, that impact analysis had been carried out to identify various events which could impact on the continuity of University operations, ensure that critical systems and timeframes for recovering information had been determined and that appropriate strategies had been put in place to safeguard these systems.

Conclusion

Our overall conclusion was that the project was developing in line with the overall project plan and was on course to deliver a detailed level of Business Continuity Management documentation which, subject to completion of the project and adequate testing, would enable the University to be in a strong position to continue critical operations, should an incident occur. No significant issues were noted as part of our review. There was some scope for improvement in three areas highlighted in our review as areas for management attention. These were in relation to the lack of data retention plans in place at the University, the fact that no documented IT Disaster Recovery Tests had taken place (these should be an integral part of the ongoing business continuity management process) and that there are limited environmental controls in the IT backup site, based in Dudhope Castle, despite this containing important backup equipment.

Section 4 - Summary of Findings

4.6 Debtors – Credit Control

Scope and Approach

The objective of the work was to identify and evaluate the controls in place over the debtors' cycle at the University, with a focus on the front and back end credit control processes. The review focused on the key procedures and controls over the credit control process for student, commercial and research debtors. The adequacy and effectiveness of the systems in place to reduce the risk of bad debt through preventative measures such as credit checks and penalties for late payments, and detective processes such as reviews of aged debt listings were also assessed.

Conclusion

Our overall conclusion was that there were a significant number of control issues with respect to the current debt management procedures and reporting on aged debt. The level and age of debt at the time of the audit represented a significant risk to the University's financial position. We made a number of recommendations to address the aged debt issues where controls were weak or not in place. The following key issues and improvement opportunities were identified during our review:

- The University's debt management policy should be revised to include commercial / research debt collection procedures and a more comprehensive and specific overview of student debt collection procedures.
- The Accumulated Aged Debtor report, as at 30 April 2008, showed that a high percentage (>90%) of student debts were overdue by more than 60 days and 61% of all student debts related to former students.
- Regular reconciliations between the debtor control accounts on the APTOS system and the feeder systems had not been performed since the start of the financial year (1 August 2007), as such there was a risk that the debtors' accounts contained inaccurate balances that were subsequently reported.
- From a sample of 30 sales invoices tested, we found that 5 had not been raised in a timely manner and a further 4 were for the supply of goods and services to companies who were already indebted to the University.
- We selected ten commercial debtors for testing and in the absence of documented internal procedures we scrutinised these against our expectation of appropriate debt collection procedures; we noted that in eight of these ten cases reasonable actions had not been taken and / or actions had not been taken within appropriate timeframes.
- The reporting produced was not considered adequate to meet users' requirements. It also appeared that users had not been consulted on their reporting requirements and that the reports were not circulated to all required recipients.

Section 4 - Summary of Findings

4.7 Estates Strategy and Management

Scope and Approach

The scope of this review was to identify and evaluate the controls in place over the management of the University's estate, including the setting and communication of an effective estate management strategy. This included an assessment of the process of developing and communicating the estate strategy and plan, and controls over the effectiveness and efficiency of the management of the estate, including use of external contractors, management of planned and unplanned maintenance, and effective use of estate staff and resources. We considered the recent SFC guidance on estates strategy, issued in July 2007, as well as the Audit Scotland report on 'Estate Management in Higher Education'.

Conclusion

Our work identified a number of areas where controls either existed on an informal basis or did not exist at all. As such, we raised a number of recommendations where process or control improvements could be made. The main areas we raised recommendations are summarised as follows:

- The Estates and Campus Services Committee did not receive reports in relation to progress against the targets and goals identified in the Estate Strategy, actual spend versus budgeted spend or details of the full year outturn. In addition, there was no formal performance monitoring and reporting of the Estates work undertaken by internal staff and external parties, with the exception of the cleaning staff
- There were no preferred suppliers and contractors listings in place and this review identified instances of the multiple quote requirements of the University's procurement manual being bypassed.
- We noted that Space Utilisation data had been captured but had not been formally analysed and that there was no formal planned maintenance schedule in place.

Note that we did not make any recommendations in relation to unplanned maintenance requests as this area was currently undergoing significant change with regard the roll out of a maintenance helpdesk. This area will be revisited as part of our detailed follow up work in 2008-09.

Section 4 - Summary of Findings

4.8 Financial Ledger and Financial Governance

Scope and Approach

The scope of this work was to identify and evaluate the controls operating in respect of the main ledger processes and evaluate the effectiveness of the governance and management arrangements within the Finance department. This review sought to identify the main feeder systems and to ensure that the day-to-day financial processing was effectively controlled. This review considered the segregation of duties in place in respect of key processes such as journal processing and performance of key control account reconciliations. This review also considered whether adequate financial governance arrangements were in place with respect to departmental structure, financial regulations and delegation of authorities.

Conclusion

Our work identified a number of significant weaknesses with respect to control of the general ledger (GL). In particular, these related to lack of timely performance of control account reconciliations and lack of adequate review of journals. The former was a recurring theme from our work on the payroll and bank reconciliations process and consistent with recommendations raised by external audit. Lack of review of journals can lead to further errors or mis-postings and again this was consistent with issues previously highlighted in our review of the bank and payroll reconciliations process where 'correcting' journals were incorrectly processed. A common theme running through the majority of the control weaknesses identified was the failure to perform regularly scheduled controls due to staff absence, whether through sickness or maternity leave. We therefore recommended that a financial control checklist was put in place to allocate responsibility for, and record performance of, scheduled control activities.

The main areas of weaknesses were as follows:

- There was no systematic process for verifying that each and every journal posted into the general ledger (APTOS) had been calculated correctly, was genuinely required and had been processed correctly. In addition, we found that journals were generally posted without independent review.
- We found there was no formal process in place to reconcile all of the balance sheet accounts on a monthly basis. Other than the Bank, Payroll and three suspense accounts, we found that none of the balance sheet accounts had been fully reconciled since the start of the current financial year in August 2007.
- There was inadequate segregation of duties between those involved in the cash process from collection to banking and booking to the GL. We also noted that four of the eight APTOS superusers were members of the Finance team and that the activity of the superusers was not monitored. There were also no regular user access audits to ensure staff had appropriate access to the APTOS system.
- There was no month end control checklist to confirm that the key financial control activities have been carried out, and the financial regulations had not been reviewed and approved by Court since June 2006.

Section 4 - Summary of Findings

4.9 Transparent Approach to Costing

Scope and Approach

The principal objective of this audit was to review the controls in place to provide assurance that the University was compliant with the minimum requirements for TRAC reporting as set out by the Joint Costing and Pricing Steering Group and the Research Councils UK (RCUK) Quality Assurance and Validation (QAV) Process.

Our approach involved discussion with the Cost and Management Accountant in order to document the methodology for the TRAC process as well as to assess the adequacy and effectiveness of the controls in place to ensure compliance with the minimum requirements of the TRAC guidance and QAV audit process. We used the TRAC and QAV Data returns submitted for the year ending 31 July 2007 as a basis for our work to assess whether the accuracy and validity of the return could be verified by management.

Conclusion

Our overall conclusion was that, while the University had broadly met the requirements of the QAV audit programme, a number of issues were raised for management attention, which, when taken together, could place the University at risk of being assessed as non-compliant with TRAC methodologies for the year ending 31 July 2008. The main recommendations were around the following areas:

- Estates costs were found to be allocated directly to the departments and then broken down into Teaching, Research, Support and Other (T, R, S and O) based on staff time, rather than based on actual usage, as required by TRAC guidance. It was also found that, although information was available on how technician and clerical staff allocate their time between T, R, S and O, this information was not being used. Instead the time allocation for academics between the categories was applied as a basis for allocating technician and clerical staff time.
- The number of full time staff was taken from the SAP download which is carried out on a monthly basis. The average number of employees each month is averaged over the year and used as the final number for the Full Time Equivalents (FTEs). As per TRAC guidance, staff on maternity, paternity and long term sick leave should be excluded from this calculation. The SAP download gives total number of staff on the payroll, which would include staff which were also on maternity, paternity and long term sick. It would therefore be reasonable to assume that the FTE numbers were overstated.
- The TRAC return for the period 2006/2007 was completed and submitted on 31 January 2008. At this point, the Audit Committee, or equivalent body had not reviewed and approved the return. Instead, the Audit Committee met in February to approve the return.

Section 4 - Summary of Findings

- The TRAC methodology and system used in the University was not documented in sufficient detail to provide for a smooth transition for new staff involved in the compilation of the TRAC return. Given the complex nature of the return, it was recommended that detailed guidance was prepared.

4.10 Dare to be Digital

Scope and Approach

We assessed the procedures and controls put in place by the University for managing the selection of award winners at Dare ProtoPlay. We also assessed the application of the controls and selection procedures to determine whether they had been applied in the way that they were intended, and considered potential control and process improvements for the future running of this competition. We did not offer assurance, or indeed an opinion, on whether or not the competition was fair or on the final conclusions and decisions reached.

Conclusion

Our review of the controls and procedures in place during the Dare to be Digital competition found a generally sound system of internal control in most areas. However, our work did highlight some control weaknesses and opportunities for improvement. None of the recommendations/observations were considered to be priority 1. The recommendations raised related to the following control weaknesses:

- The spreadsheet presented to the final judging panel which collated the scores awarded by the 17 walk and talk judges to each of the 17 teams taking part in the Dare to be Digital competition was found to contain errors, as the scores that had been awarded to one team had actually been recorded against another and vice versa. However, by coincidence, the total scores for these teams matched and therefore the overall ranking was not affected.
- We observed the counting of the wristbands that took place on Day 2 of the event and found that just prior to the start of the count, one of the paid student helpers involved in the count removed the paper wristband that she was wearing and placed this into one of the boxes. Discussion with the Director of Business Development found that it had been verbally communicated to the student helpers that they should not vote. As a result, each of the 19 student helpers were approached on an informal basis and asked to identify if they had been voting. Two individuals identified that they had voted on one occasion each.
- Paper wristbands were issued on entry to the attendees of the showcase event, Dare ProtoPlay. These were used to vote for teams in relation to the Audience Award. No charge was made for attendance at the event. Our observation of the issue of the wristbands identified that there was potential for attendees to be provided with multiple wristbands if leaving and re-entering the event.

Section 4 - Summary of Findings

4.11 Follow up on Prior Year Recommendations

Prior Year Reports

The purpose of our work was to follow up on audit reports issued during the year ended 31 July 2007 to ensure agreed recommendations had been implemented and were functioning as intended. This report summarised the findings of progress made with regard to the implementation of recommendations agreed in the following areas: Treasury Management; Student Accommodation; Procurement Cards; Information Services; Capital Asset Management; Student Centre; Student Recruitment; Commercialisation; Students' Association Governance; Corporate Governance; and Payroll Control Account Reconciliations. The eleven 2006/2007 internal audit reports covered by this follow up report contained a total of 79 recommendations.

Status of Recommendations

Overall, management had made good progress in the implementation of our recommendations. The main areas where there had been less progress than might be expected have been caused by resource constraint, due to the posts of Catering Manager and Commercialisation Contracts Manager being vacant. A total of 7 of the 79 (9%) recommendations were not implemented. Of these, three were listed as priority two and the remainder were priority three. A brief description on the progress against the three priority two items not implemented was as follows:

- We recommended that the fixed asset register should be updated on a quarterly basis for all additions and disposals in the year to date. As per management, this had not been implemented on the basis that if assets are capitalised on a quarterly basis, budgetary monitoring can not be maintained due to the effect that this has on the actual to date figures.
- The bar cashing up procedures at the Student Centre continue to have one person cashing up at the bar while our recommendation outlined the necessity for two people to be present during this process. Management explained that staff reluctance to assume this duty prevented them from implementing the recommendation.
- No progress had been made on the allocation of responsibility for compliance with commercial guidelines to the Heads of School.

A further two priority one items remain partially implemented. These were reports on the age of student debt not produced for the Accommodation Officer (Student Accommodation Review) and no reconciliation between the central fixed asset registers and the local fixed asset registers had been carried out (Capital Asset Management Review).

It was agreed with University management that follow up on 2005-06 items would be conducted and monitored by University management.

Section 5 - Internal Audit Plan for Year Ending 31 July 2009

The following plan for 2008/09 has been agreed with management:

Audit Review	Summary Scope	Audit days
Review of Strategic Planning	The University has developed an ambitious and wide ranging Strategic Plan. This contains targets for teaching and learning, research, governance, regional impact and portfolio development. Delivery against this plan will be challenging. Our review will focus on the assessment of monitoring and delivery against the objectives and timeframes highlighted within the strategic plan.	7
Review of Income Generating Overseas Operations	Generating income from overseas students is vital for the University. This involves increasing the number of overseas students who come to the University. However, it also involves the setting up of joint ventures and partnerships in overseas countries. This has included operations in Greece and Malaysia. This review will seek to assess the how the risks associated with these joint ventures are being managed and controlled.	6
Review of Registry	Managing student registration and data is identified as a key process within the Operational Support Services area and this is therefore being reviewed in year one of the new plan as part of a wider department review of Registry.	7
Review of Severance Payments	Planning discussions indicated a need for audit to review the governance around severance payments to ensure the University is calculating and applying these consistently and in line with established guidance.	5
Review of IT Security & Firewalls	IT Security is vital to any organisation and will be audited in year 1 of this three year plan. This is especially important for Abertay given the wide spread reliance on web based applications.	6
Review of Budgetary Control, Monitoring and Management	These areas are identified as inherently higher risk but have not been subject to audit in the last 3 year period. This audit will seek to review the higher level risks associated with management of the ongoing planning and budgeting processes undertaken by Finance.	7
Financial Controls Framework Implementation	This will involve the development and implementation of a financial controls self assessment process to roll out within the University Finance department to monitor progress in establishing a comprehensive internal financial control framework.	6

Section 5 - Internal Audit Plan for Year Ending 31 July 2009

Audit Review	Summary Scope	Audit days
TRAC Review	This is an annual review of the TRAC return and the underlying data used to prepare the return.	4
Review of Risk Management and Risk Workshop	Risk management has been identified as a key challenge for the organisation (partly on the basis that the oversight of this has now passed to the Audit Committee) and it is proposed to undertake an audit of this area in year one of our three year plan to allow any findings associated with the transfer of responsibility to be implemented at an early stage. This is an audit of the process but also includes time for a risk management workshop.	7
Review of Project Management	Good governance over business change projects is vital to ensure that the University delivers its strategic plans and also ensures that University funds are appropriately used.	6
Follow Up On Prior Year Recommendations	Follow up will consider all recommendations for the previous year and a status update will be provided to the Audit Committee.	5
Planning For and Attendance At Audit Committee	This will include the preparation of status update packs for Audit Committee plus attendance at these meetings.	6
Internal Audit Management & Contingency	Management time includes development of the internal audit plan, client meetings and some contingency.	13
Total days		85

Section 6 - 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 & Touche LLP

Glasgow

December 2008

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