

Dundee and Angus College

Interim Audit Report 2016/17



 **AUDIT SCOTLAND**

Prepared for Dundee and Angus College
July 2017

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Audit findings

Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at Dundee and Angus College. This work covered the testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the financial statements. We will use the results to inform our approach during the 2016/17 financial statements audit.

2. Our responsibilities under the Code of Audit Practice require us to assess the system of internal control put in place by management. We seek to gain assurance that Dundee and Angus College:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- complies with established policies, procedures, laws and regulations.

Conclusion

3. We identified a number of control weaknesses as summarised in Exhibit 1 overleaf. We will carry out additional substantive audit procedures in response to these findings. This will enable us to take planned assurance for our audit of the 2016/17 financial statements.

4. The matters raised in this report should be considered as part of the Accountable Officer's assessment of the review and adequacy of the financial governance processes in place to support the Annual Governance Statement.

Work summary

5. Our 2016/17 testing covered key controls in a number of areas including:

- bank reconciliations
- payroll validation and exception reporting
- authorisation of journals
- change of supplier bank details
- IT access controls
- budget monitoring and control
- feeder system reconciliations
- student fee income.

6. To support our audit opinion on the financial statements and to avoid duplication of work we planned to place formal reliance on the following audit reviews:

- Payroll follow up
- Budgetary Control
- Procurement and Creditors/Purchasing.

We have reviewed and will place reliance on the payroll and budgetary control reviews. We have not placed reliance on the procurement and creditors/purchasing audit as the work had not been completed at the time of our interim audit. The review has now been completed and we will review and consider the findings as part of our financial statements audit.

7. The contents of this interim audit report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Risks identified

8. The key control risks identified during the interim audit are detailed in Exhibit 1. These findings will inform our approach to the financial statements audit where relevant.

9. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to Dundee and Angus College.

Exhibit 1

Key findings and action plan 2016/17

Issue identified	Management response Responsible Officer and Target date	Additional audit procedures
<p>Audit findings</p> <p>Changes to supplier bank details Finance staff are aware of the importance of ensuring changes to a supplier's bank details are genuine. Suppliers are required to confirm changes in writing, on headed paper. Staff verify the change in bank details by contacting the supplier by telephone using the number already held by the College. This confirmation phone call is not evidenced.</p> <p>Without evidence supporting changes to supplier bank details officers cannot be sure that the proper process has been followed.</p>	<p>We agree that these checks should be better evidenced. Details of the check made will be recorded on originating documentation or by note on supplier's account in SUN in future.</p> <p>Head of Finance - immediately</p>	<p>We will substantively test a sample of the College's expenditure as part of our year end audit.</p>
<p>Credit cards Credit card payments made by staff with authority to hold College credit cards for travel related expenses are not independently reviewed or authorised. Staff retain their receipts and do not pass them onto the Finance section. Finance staff send monthly credit card statements to card holders for review.</p> <p>The absence of independent review and authorisation of expenditure of credit card holders increases the potential scope for misuse of College credit cards.</p>	<p>PP8 - Credit Card Purchases imposes adequate controls, and these will be reinforced. Transactions on most cards are suitably authorised before the cost has been incurred, but controls will be tightened for those travelling with their own card, ensuring appropriate retrospective approval by line manager.</p> <p>Head of Finance - May 2017</p>	<p>Our testing of credit card transactions did not highlight any significant or unusual items.</p> <p>We will substantively test travel and subsistence costs as part of our year end audit.</p>
<p>Access to financial systems While controls over granting and removing access to financial systems operate satisfactorily, we found no evidence of senior officers periodically reviewing the access rights of users of financial systems to ensure they remain appropriate.</p> <p>Periodic review of access rights provides additional assurance that fraudulent payments cannot be made by unauthorised individuals.</p>	<p>Risk of unauthorised access, leading to fraud is considered to be extremely low, particularly when considered along with systems controls exercised by ICT Services.</p> <p>Administrative control is held at an appropriate level - and shared when considered most appropriate. Agreed however that a periodic review by Head of Finance would be prudent and good house keeping.</p> <p>Head of Finance - immediately</p>	<p>We reviewed a sample of payments and found no instances where payments were processed or approved by an unauthorised individual.</p>
<p>Financial procedures We identified instances where the College's written financial procedures are not up to date with the actual controls in place. These include procedures for:</p>	<p>Agreed in part. BC1 Automated Bank Payment, and BC3 Cheque Payments would benefit from greater clarity. In other instances the current controls will be reaffirmed immediately.</p> <p>Head of Finance - by December 2017</p>	<p>We will substantively test a sample of the College's income and expenditure as part of our year end audit.</p>

Issue identified	Management response Responsible Officer and Target date	Additional audit procedures
<ul style="list-style-type: none"> • online bank payments • cheque payments • sales invoices • credit notes. <p>Differences between written financial procedures and actual processes increases the risk of key controls not being carried out by staff.</p>		
<hr/> <p>Source: Audit Scotland</p> <hr/>		

10. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

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