

# Athlone Institute of Technology

## Internal Audit Plan 2014/2015

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*Date draft issued to the Audit Committee: 4 February 2015*

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*Audit Committee Approval of Internal Audit Plan: 4 February*

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*Version Control: 1 2014/2015*

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# *1 Introduction*

Deloitte were appointed as the internal audit service providers to Athlone Institute of Technology (AIT) for a two year period, commencing in 2012, with the option from the Institutes of Technology Ireland (IOTI) to extend the contract for a further year. This option has been exercised by the IOTI.

The purpose of this document is to set out the proposed internal audit plan for the period 2014 - 2015 and the process followed in developing the plan.

## *2 Approach taken in developing the internal audit plan*

The process we followed to develop the internal audit plan included:

- **Risk register:** We reviewed the AIT risk register to identify the controls on which the institute places significant reliance to mitigate key or high rated risks. While some areas identified for internal audit review by management do not specifically appear in the institute's risk register, we have referenced each proposed review to the most relevant risk per the risk register. Please see section 4 of this document.
- **Previous internal audit assignments, 2009 to 2014:** We have highlighted those areas previously reviewed by internal audit during the period 2009 to 2014. These are identified in appendix 4 of this document.
- **AIT internal audit universe:** The purpose of the internal audit universe is to identify the key activities within AIT which may be subject to internal audit review. This provides a desk-top overview of key activities. This document should be subject to on-going review and amendment where necessary. A copy of the internal audit universe for AIT is set out in appendix 3.
- **Internal audit resources:** In developing the internal audit plan, we have given consideration to the resources available during the period and to the assurances required by the institute. In this regard AIT may request internal audit services additional to the standard contract. Please see section 4.
- **Consultation with AIT audit committee and AIT stakeholders:** At the AIT audit committee meeting of the 6<sup>th</sup> of November 2012 the task of preparing and identifying areas for inclusion in the internal audit plan was delegated to the Secretary/Financial Controller, John McKenna.

In developing the internal audit plan we consulted with the Secretary/Financial Controller, John McKenna. We understand that the Secretary/Financial Controller has sought input from the institute President. Following this consultation process, a number of priority internal audit areas were identified, as set-out in section 4.

### *3 Review and approval process for the internal audit plan*

The internal audit plan should be reviewed and approved by the AIT Audit Committee and may also be referred to the AIT Executive Committee. In reviewing the internal audit plan, the executive committee and audit committee should consider the following:

1. Does the internal audit plan provide assurance on the internal control environment that will facilitate the audit committee in reviewing the institute's statement of internal control?
2. Does the internal audit plan provide adequate coverage across activities of the institute over which the audit committee requires assurance?
3. Does the internal audit plan provide sufficient assurance over key mitigation strategies of the institute?
4. Is the time allocated to each individual internal audit review sufficient to provide the depth of review necessary from an audit committee's perspective?
5. Does the scope of each assignment meet the objectives of the audit and executive committees?

#### *3.1 Approval of plan*

The AIT Audit Committee approved the draft internal audit plan at the meeting of the 4<sup>th</sup> February 2015. The plan was approved on the basis that the audit committee would re-consider the content of the internal audit plan at the March meeting.

It is expected that the review at the March audit committee meeting will be informed by the outcome of the follow-up review which was to be presented at the March audit committee meeting.

## 4 Summary of audit activities identified for review

As per the internal audit contract, the standard internal audit budget<sup>1</sup> is:

| Budget period                       | Budgeted annual fee | Budgeted annual days |
|-------------------------------------|---------------------|----------------------|
| Internal audit budget for 2014/2015 | €28,977             | 38                   |

An overview of the activities and associated estimate of required days to undertake the work requested is set out below.

### Internal audit activities, timing and estimated resource requirement for 2014/2015:

| No. | Activity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Risk to be reviewed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Number of days            | Proposed timing |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------|
| 2.1 | Internal audit planning and client liaison                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2 days                    | On-going        |
| 2.2 | Audit committee meetings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 3 days                    | On-going        |
| 2.3 | <p><b>Internal financial control review</b></p> <p>In order to provide an element of the basis for the President and Chairperson of the Governing Body to sign the annual statement of internal control, we will review of a sample of internal financial controls as identified in section four of the IOTI, Internal Controls Framework (ICF), 2011.</p> <p>Section four of the ICF includes 18 sub-sections. Over the period 2012 to 2014 we have adopted a cyclical approach to reviewing these sub-sections, to date we have reviewed ten of those sub-sections. Therefore for the year 2014-2015, we propose on reviewing the key controls for the following sub-sections:</p> <p>4.2.4 Amortisation of Deferred Capital Grants<br/>4.2.5 Research Grants and Contracts Income / Expenditure<br/>4.2.6 Other Income</p> | <p><b>Linked to risk register:</b></p> <p><b>Risk 3:</b> Failure of Internal Financial Controls - Budgets, Reputation:</p> <ul style="list-style-type: none"> <li>- Loss of control</li> <li>- Monetary loss</li> <li>- Intervention from outside agencies</li> </ul> <p><b>Risk 4:</b> Operations by Institute Subsidiaries may lead to lack of control or commercial losses which the Institute would have to fund.</p> <p><b>Other risks:</b></p> <p>The institute President and Governing Body Chairperson do not have a basis on which to made the annual statement of internal control.</p> | 18 days (15 days on-site) | May 2015        |

<sup>1</sup> In order to complete the internal audit plan for 2014-2015 resources additional to the contract will be required.

| No. | Activity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Risk to be reviewed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Number of days     | Proposed timing |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------|
|     | <p>4.2.7 Student Support Funding Income Recognised</p> <p>4.2.8 Interest Income</p> <p>4.2.9 Accounts Receivable</p> <p>4.2.16 Pre-payments</p> <p>4.2.17 Accruals &amp; Provisions</p> <p>4.2.18 Reserves</p> <p><b>Note:</b> while not included in the above scope, the scope may be extended to include financial controls related to subsidiaries of AIT.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                    |                 |
| 2.4 | <p><b>Internal control review</b></p> <p>In order to provide a basis for the President and Chairperson of the Governing Body to sign the annual statement of internal control, we will review a sample of internal controls as identified in sections two, three and five the Institutes of the IOTI, Internal Controls Framework (ICF), 2011.</p> <p>Section three of the ICF includes four sub-sections which relate to operational controls. We reviewed the following three sections a cyclical basis over recent years:</p> <p>3.1 Staff Utilisations (<b>reviewed in 2013</b>)</p> <p>3.2 Human Resources (<b>reviewed in 2014</b>)</p> <p>3.3 Quality Framework (<b>reviewed in 2012</b>)</p> <p>Therefore we propose to review section 3.4 – Information Technology as part of the 2014/2015 internal audit plan. Section 3.4 includes the following sub-sections:</p> <p>3.4.1 Information Security</p> | <p><b>Linked to risk register:</b></p> <p><b>Risk 10:</b> Lack of Implementation of Policies and Procedures: Health and Safety, Finance:</p> <ul style="list-style-type: none"> <li>- Non-compliance with Government policies</li> <li>- Payroll issues</li> <li>- Explanations required through Public Forums</li> </ul> <p><b>Risk 11:</b> Legal action by employees and customers (students, public, suppliers, agencies) due to actions or inactions of the institute:</p> <ul style="list-style-type: none"> <li>- Monetary penalty</li> <li>- Reputational risk</li> </ul> <p><b>Other risks:</b></p> <p>The institute President and Governing Body Chairperson do not have a basis on which to make the annual statement of internal control.</p> | 7 days (5 on-site) | May 2015        |

| No. | Activity                                                                                                                                                                                                                                      | Risk to be reviewed                                                                                                       | Number of days                    | Proposed timing |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------|
|     | 3.4.2 Data Integrity<br>3.4.3 Information and System Availability<br>3.4.4 Appropriate Usage of IT Resources<br><br>As part of our review of section 3.4 we will also review anti-virus controls in place for protecting institute resources. |                                                                                                                           |                                   |                 |
| 2.5 | <b>Follow-up review</b><br><br>Review the implementation of prior internal audit recommendations arising.<br><br>Estimate of 40 outstanding internal audit recommendations.                                                                   | <b>Risk:</b><br>Risk that the internal control framework is not effective where recommendations made are not implemented. | 8 (6 <sup>2</sup> days fieldwork) | January 2015    |

This internal audit plan and supporting appendices constitute the primary output to AIT for this planning work. The planning phase of our work is performed in line with the Deloitte Practice Manual (DPM) and Deloitte Internal Audit Methodology, which is consistent with Chartered Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing".

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<sup>2</sup> Estimate only, actual number of outstanding internal audit recommendations to be reviewed is to be confirmed.

WE HEREBY TAKE RESPONSIBILITY FOR THIS PLAN WHICH IS PREPARED ON THE BASIS OF THE LIMITATIONS SET OUT BELOW.

The matters raised in this plan are only those which came to our attention during our meetings with persons identified in Appendix 2. Matters contained within this plan were considered a priority by management. This is a draft internal audit plan which is to be presented to the audit committee and may also be presented to the executive committee to discuss the reviews identified. Areas for inclusion in the annual internal audit plan should be assessed by AIT for their full implications prior to commencement. This internal audit plan has been prepared solely for AIT and should not be quoted or referred to in whole or part without prior written consent. No responsibility to any third party is accepted as the plan has not been prepared and is not intended, for any other purpose.



Deloitte & Touche  
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Date: 4 February 2014

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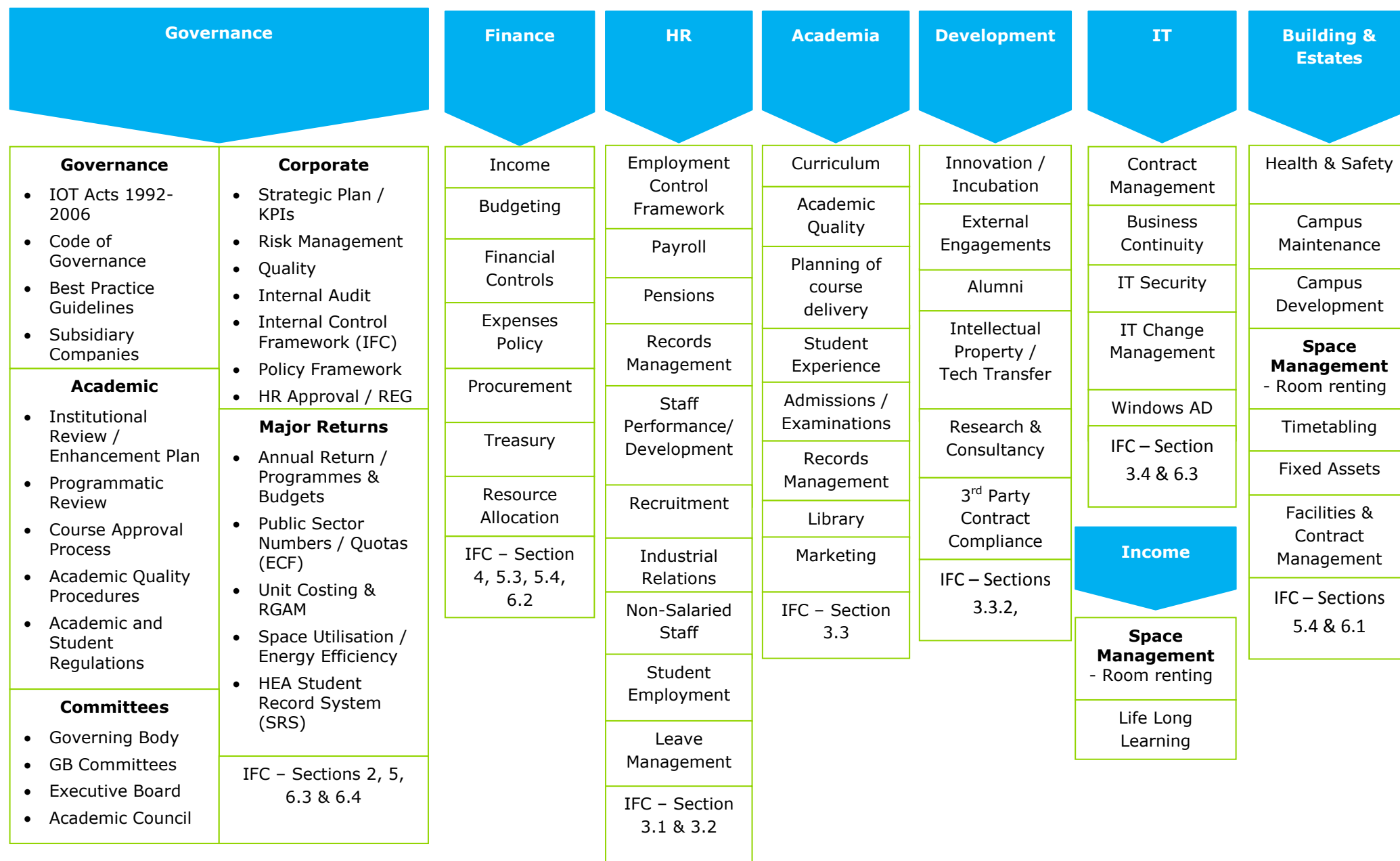
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***APPENDIX 2 LIST OF MEETINGS HELD/ PEOPLE CONSULTED***

| <b>Name</b>                                       | <b>Date</b>                |
|---------------------------------------------------|----------------------------|
| Mr John McKenna, Secretary / Financial Controller | November and December 2014 |
| AIT Audit Committee                               | 4 February 2015            |



**APPENDIX 4** *INTERNAL AUDIT ASSIGNMENTS COMPLETED DURING THE PERIOD 2009-14*

| <b>Year</b> | <b>Assignment name</b>                           | <b>Status</b> |
|-------------|--------------------------------------------------|---------------|
| 2009–2010   | Timetabling Review                               | Complete      |
|             | ICT Review                                       | Complete      |
|             | Internal Controls Review                         | Complete      |
|             | Examinations – Supervisors & Invigilators Review | Complete      |
| 2010–2011   | Rooms Audit                                      | Complete      |
|             | Risk Register Review                             | Complete      |
|             | IT Documentation Review                          | Complete      |
|             | Internal Controls Review                         | Complete      |
|             | Internal Financial Controls Review               | Complete      |
|             | Follow-Up Review 2011                            | Complete      |
| 2011–2012   | Debtors Review                                   | Complete      |
|             | Adult Education (Income Review)                  | Complete      |
|             | Internal Controls                                | Complete      |
|             | Internal Financial Controls                      | Complete      |
|             | IT Systems Availability                          | Complete      |
|             | Follow-Up Review 2012                            | Complete      |
|             | President's Expenses Report                      | Complete      |
| 2012-2013   | AIT Subsidiary Company Review                    | Complete      |
|             | AIT Student Services Review                      | Complete      |
|             | Internal Financial Control 2013                  | Complete      |
|             | Internal Control – Academic Staff Utilisations   | Complete      |
| 2013-2014   | AIT Sportsco Commercialisation Review            | Complete      |
|             | Administrative staff utilisation review          | Complete      |
|             | Benchmarking Review – Office of the Registrar    | In Progress   |

| Year | Assignment name                                         | Status   |
|------|---------------------------------------------------------|----------|
|      | Internal Controls – S 3.2 Human Resources               | Complete |
|      | Internal Financial Controls (inc. subsidiary companies) | Complete |

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