

# *Glasgow Caledonian University*

## *Internal Audit Annual Report 2013/2014*

22 September 2014

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## **Distribution List**

For noting	Audit Committee
For information	Professor Pamela Gillies CBE (Principal and Vice-Chancellor)
	Gerry Milne (Chief Financial Officer & Vice Principal Finance & Planning)
	Jan Hulme (University Secretary & Vice Principal (Governance))
	Lyndsay Brown (Financial Controller)

This document has been prepared only for Glasgow Caledonian University and solely for the purpose and on the terms agreed with Glasgow Caledonian University.

# ***1. Executive summary***

## ***Background***

The purpose of this report is to present the results of our Internal Audit work on Glasgow Caledonian University's system of governance, risk management and control for 2013/14.

Whilst this report is a key element of the framework designed to inform the Annual Governance Statement, there are also a number of other important sources to which the Audit Committee should look for assurance. This report does not supplant the Audit Committee's responsibility for forming its own view on governance, risk management and control.

This report covers reviews performed for the year ended 31 July 2014. The specific time period covered by our work for each individual review is recorded in Section 3.

## ***Scope***

Our findings are based on the results of the Internal Audit work performed as set out in the Internal Audit Plan and Risk Assessment 2013/2014, approved by the Audit Committee on 21 October 2013, and any subsequent amendments that were approved on 29 April 2014. These amendments included the change of timing of the review *People Strategy: The People Passport* from 2013/14 to 2014/15, at the request of the Audit Committee.

Our work is subject to the inherent limitations of internal audit (covering both the control environment and the assurance over controls) as set out in Appendix 1.

## ***Conclusion***

We have completed the program of Internal Audit for the year ended 31 July 2014. Our work identified 14 medium and 17 low rated findings; our work did not identify any high or critical rated findings.

We do not consider it necessary for any of the weaknesses identified to be reported in the Annual Governance Statement.

A summary of the key findings are described in further detail in Sections 2 and 3 of this report.

## ***Acknowledgement***

We would like to take this opportunity to thank Glasgow Caledonian University's staff for their co-operation and assistance during the year.

## 2. Summary of findings

Our Internal Audit Annual Report is timed to inform Glasgow Caledonian University's Annual Governance Statement.

A summary of key findings from our programme of Internal Audit work for the year work is recorded in the table below:

Description	Detail
<p><b>Overview</b></p> <p>We completed 12 Internal Audit reviews. This resulted in the identification of 14 medium and 17 low risk findings which focused on improving weaknesses in the design of controls and / or operating effectiveness. No critical or high risk findings were identified through our work.</p>	<p>Overall, we have completed 12 of the 13 planned Internal Audit reviews included within the Internal Audit Plan and Risk Assessment 2014/2014, approved by the Audit Committee on 21 October 2013.</p> <p>Of these 12 reviews:</p> <ul style="list-style-type: none"> <li>• No reviews resulted in an overall report classification of critical or high;</li> <li>• Four reviews resulted in an overall report classification of medium; and</li> <li>• Eight reviews resulted in an overall report classification of low.</li> </ul> <p>At the meeting of the Audit Committee 29 April 2014, the committee members requested that the review <i>People Strategy: The People Passport</i> be removed from the 2013/14 Internal Audit Plan. The intention of the Audit Committee is to include this review within the 2014/15 Internal Audit Plan.</p>
<p><b>Internal Control Issues</b></p> <p>During the course of our work we identified no significant weaknesses that we consider should be reported in your Annual Governance Statement.</p>	<p>Whilst our work identified 14 medium and 17 low rated finding, we do not consider these weaknesses to be pervasive throughout the University's system of governance, risk management and control, or of such significance that it is necessary for them to be reported in the University's Annual Governance Statement.</p>
<p><b>Other weaknesses</b></p> <p>Other weaknesses were identified within the organisation's governance, risk management and internal control.</p>	<p>Four reviews identified medium-rated findings and resulted in an overall report classification of medium risk. These relate to the following four areas:</p> <ul style="list-style-type: none"> <li>• Student Experience: Registration</li> <li>• Business Partnership Working</li> <li>• The IT Helpdesk</li> <li>• Internationalisation: The Exchange and Study Abroad Team</li> </ul>

<i>Description</i>	<i>Detail</i>
<p><b>Follow up</b></p> <p>During the year we have undertaken follow up work on previously agreed actions.</p>	<p>The agreed management actions from five reports issued in 2012/2013 were followed up by Internal Audit.</p> <p>Of the 17 agreed actions in these five reports:</p> <ul style="list-style-type: none"> <li>• Seven had been implemented;</li> <li>• Nine were ongoing and had not yet been implemented; and</li> <li>• One was not yet due.</li> </ul> <p>The reports followed up and the status of agreed actions is set out in more detail within Section 4 of this report.</p>
<p><b>Good practice</b></p> <p>We also identified a number of areas where few weaknesses were identified and / or areas of good practice.</p> <p>Additionally, during 2013/2014 we have observed that the University's Management and Audit Committee are clearly taking risk seriously, with the management of risk built into daily operations.</p> <p>As a result, Internal Audit is focussed on the more challenging strategic and operational areas.</p>	<p>The following seven reviews were classified overall as low risk and identified only low and/or advisory rated findings:</p> <ul style="list-style-type: none"> <li>• Expenses</li> <li>• Biomedical Science Unit (BSU)</li> <li>• Business Continuity Arrangements</li> <li>• Research Funding</li> <li>• Early Implementation of the Marketing Strategy</li> <li>• Key Financial Controls</li> <li>• Use of the Student Attendance and Engagement Monitoring (SAEM) System for Tier 4 Students</li> </ul>

# 3. Internal Audit work conducted

## Introduction

Our Internal Audit work was conducted in accordance with our letter of engagement and the agreed Internal Audit Plan and Risk Assessment 2013/2014.

The table below sets out the results of our work.

## Results of individual assignments

Audit unit	Report status	Report classification and period covered	Number of findings			
			Critical	High	Medium	Low
Expenses	Final	Low 1 August 2013 - 25 October 2013	-	-	-	1
Biomedical Science Unit (BSU)	Final	Low 1 August 2013 - 31 October 2013	-	-	-	3
Business Continuity Arrangements	Final	Low** 1 August 2013 - 31 October 2013	-	-	-	1
Student Experience: Registration	Final	Medium 1 August 2013 – 31 December 2013	-	-	3	2
Business Partnership Working	Final	Medium 1 August 2013 - 31 December 2013	-	-	5	-
Research Funding	Final	Low 1 August 2013 - 31 December 2013	-	-	-	1
ISIS Management Information	Final	Low 1 August 2013 – 28 February 2014	-	-	2	-
The IT Helpdesk	Final	Medium 1 August 2013 – 31 March 2014	-	-	2	3
Early Implementation of the Marketing Strategy	Final	Low* 1 August 2013 – 31 March 2014	-	-	-	-

<i>Audit unit</i>	<i>Report status</i>	<i>Report classification and period covered</i>	<i>Number of findings</i>			
			<i>Critical</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>
Internationalisation: The Exchange and Study Abroad Team	Final	Medium 1 August 2013 – 31 March 2014	-	-	2	2
Key Financial Controls	Final	Low 1 August 2013 – 31 March 2014	-	-	-	1
Use of the Student Attendance and Engagement Monitoring (SAEM) System for Tier 4 Students	Final	Low 1 August 2013 – 30 April 2014	-	-	-	3
<b>Total</b>			-	-	<b>14</b>	<b>17</b>

Notes:

\* Two Advisory findings were noted in our review of *Early Implementation of the Marketing Strategy*.

\*\* In addition to the low risk finding noted above, one Advisory finding was noted in our review of *Business Continuity Arrangements*.

## 4. Follow up work conducted

### Introduction

Within the Internal Audit Plan and Risk Assessment 2013/2014, eight days were assigned for following up recommendations raised during 2012/2013, in order to assess whether agreed actions had been implemented by management.

The recommendations made in five of the reports issued in 2012/2013 were followed up by Internal Audit. The five reports to be followed up by Internal Audit were agreed with management and presented to the June 2014 meeting of the Audit Committee.

The table below summarises the follow up work performed.

### Results of follow up work

Audit unit	Report rating	Number of agreed actions	Status of agreed actions			
			Implemented	Ongoing	Outstanding	Not yet due
Financial Control	Low	1	1	-	-	-
International Partnerships	Medium	4	2	2	-	-
ISIS System – Student Records	Medium	5	3	2	-	-
Marketing	Low	2	-	1	-	1
Student Admission	Medium	5	1	4	-	-
<b>Total</b>		<b>17</b>	<b>7</b>	<b>9</b>	<b>-</b>	<b>1</b>

### Summary

We recognise that work has been undertaken by GCU to resolve each of the agreed actions included within the scope of our follow-up procedures. We recommend that further work is conducted by Glasgow Caledonian University to ensure those which remain ongoing are implemented at the earliest opportunity.



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# *Appendices*

# ***Appendix 1: Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as agreed with management and the Audit Committee, subject to the limitations outlined below.

## ***Findings***

Our findings are based solely on the work undertaken as part of the agreed Internal Audit Plan and Risk Assessment 2013/2014, which provided for 13 internal audit reviews in 224 days. This was subsequently updated at the request of the Audit Committee to remove the audit of *People Strategy: The People Passport*.

Our work addressed the control objectives agreed for individual Internal Audit assignments as set out in the agreed Terms of Reference for each of our reviews. The agreed Terms of Reference are included within our report for each individual internal audit assignment, which have been presented to the Audit Committee throughout the year.

There might be weaknesses in the system of internal control that we are not aware of because those controls did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit Committee should be aware that our findings may have differed if our programme of work, scope for individual reviews had been different or other relevant matters were brought to our attention.

## ***Internal control***

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and the occurrence of unforeseeable circumstances.

## ***Future periods***

Our assessment of controls relating to Glasgow Caledonian University is for the year ended 31 July 2014. A historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

The specific time period for each individual Internal Audit is recorded within Section 3 of this report.

## ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.





We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

# Appendix 2: Basis of our classifications

## Report classifications

The report classification is determined by allocating points to each of the findings included in the report

<i>Findings rating</i>	<i>Points</i>
<b>Critical</b>	40 points per finding
<b>High</b>	10 points per finding
<b>Medium</b>	3 points per finding
<b>Low</b>	1 point per finding

<i>Report classification</i>		<i>Points</i>
	Critical risk	40 points and over
	High risk	16– 39 points
	Medium risk	7– 15 points
	Lower risk	6 points or less

## Individual finding ratings

Finding rating	Assessment rationale
<b>Critical</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact ;or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul>
<b>High</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Medium</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences ; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Low</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

## Pervasive

This in a literal sense means “all encompassing”. A pervasive control weakness is therefore one which has an impact across the system of internal control, and consequently could impact upon the achievement of a number of organisational objectives in relation to:

- the efficient and effective use of resources;
- the safeguarding of assets;
- the preparation of reliable financial and operational information; or
- compliance with laws and regulations.





In the event that, pursuant to a request which Glasgow Caledonian University has received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time), the Freedom of Information (Scotland) Act 2002 or any subordinate legislation made thereunder (collectively, the “Legislation”), it is required to disclose any information contained in this terms of reference, it will notify PwC promptly and consult with PwC prior to disclosing such information. Glasgow Caledonian University agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, Glasgow Caledonian University discloses any such information, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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