
Glasgow Caledonian University Internal Audit Annual Report Year Ended 31 July 2011





20 October 2011



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Key to Individual Report Classifications

Report classification	
	Low risk
	Medium risk
	High risk
	Critical risk

1. Background and Scope

Background to this report

- 1.01 Internal Audit standards recommend that the Head of Internal Audit provides a written report to the Accountable Officer timed to inform the organisation's annual Governance Statement. As such, the purpose of this report is to present our view on the design and operating elements of Glasgow Caledonian University's ("the University") system of internal control. This report is based upon the work set and approved by the Audit Committee in the Annual Internal Audit Plan for 2010/11 and conducted by us during the year.
- 1.02 Whilst this report is a key element of the framework required to inform annual Governance Statement, there are also a number of other important sources from which the Accountable Officer should seek and gain assurance. The level of assurance required from Internal Audit was determined by the Audit Committee at the beginning of the year and presented in our Annual Internal Audit Plan. As such, our view does not supplant the Accountable Officer or Audit Committee's responsibility for forming their own overall opinion on internal controls, governance arrangements and risk management activities.
- 1.03 This report covers the period from 1 August 2010 to 31 July 2011.

Acknowledgements

- 1.04 We are grateful for the assistance that was provided to us by University staff in the course of our work.

2. *Our Annual Report*

Introduction

- 2.01 Under the terms of our engagement we are required to provide a written report to the Accountable Officer on the design and operating elements of the University's:
- risk management;
 - control; and
 - governance processes.
- 2.02 Collectively we refer to all of these activities in this report as “the system of internal control”.
- 2.03 The view we express is based solely on the internal audit work performed as set out in the 2010/11 Annual Internal Audit Plan set and approved by the Audit Committee in October 2010. Our view is subject to the inherent limitations set out at Appendix A of this report.
- 2.04 Understanding the risks faced by the University and the wider Higher Education Sector in Scotland is critical to the development of the Annual Internal Audit Plan. In addition, we are in regular dialogue throughout the year with Management and Court Members who sit on the Audit Committee. As these risks, and the issues they bring, are constantly changing throughout the year, the Annual Internal Audit Plan must be flexible to adapt.

Annual report on internal controls

- 2.07 It is management's responsibility to develop and maintain a sound system of internal control, and to prevent and detect 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.
- 2.08 We have planned our work so that we had a reasonable expectation of detecting significant control weaknesses in those areas subject to review. However, internal audit procedures alone, although they are carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- 2.09 We have completed the programme of internal audit work for the year ended 31 July 2011, as set out in the Annual Internal Audit plan, in accordance with internal audit standards and can report that our core internal audit work did not identify any critical control weaknesses that we consider to be pervasive in their effects on the University's overall system of internal control. We did however identify a number of areas of higher risk in a number of specific systems and processes but we do not believe that any of these areas require specific disclosure within the statement of internal control. It is emphasised that corrective actions to address all the internal audit recommendations raised in the year have been agreed with management and that these actions will be followed up in 2011/12.

Additional internal audit work undertaken during 2010/11

- 2.10 In addition to our core internal audit plan we undertook a specific review of a cash theft (subsequently recovered) within the Cash office. This cash theft was an isolated incident where the financial controls established by management operated as intended in identifying the theft. As part of our review we identified certain areas where controls could be further strengthened and these have been actioned by management. However, we do not consider the areas identified for further improvement to be pervasive in their effects on the University's systems of internal control.
- 2.11 In May 2011 we undertook a specific review of certain of the issues arising in respect of the decision taken by the UK Borders Agency (UKBA) to suspend the University's ability to issue CAS's to international students, in order for international students to apply for a UK Visa for 28 days. Our review focused on the action management were taking in respect of the suspension, consideration of what caused were the root causes and the controls in place around the specific nursing professional development course. Our findings identified a number of weaknesses in controls to ensure compliance with UKBA regulations, particularly in the design of courses to ensure compliance with UKBA requirements, appropriate governance arrangements over monitoring and ensuring compliance and clarity over accountability. Management have produced a detailed action plan outlining a programme of actions to be taken over the next 3 to 12 months, including regular updates to the Audit Committee and the University Court. The University responded swiftly to the suspension in full within the period allowed by the regulations, without material effect on the financial statements. Detailed reports have been presented to the Audit Committee and the Court. Management in consultation with External Audit, have determined no additional need to report within the Annual Financial Statements.

- 2.12 Through our programme of internal audit work, which was solely designed to arrive at a view on the system of internal control, we did not identify any matters resulting from our work which, have not already been reported to the Audit Committee, of which, in our view, require to be brought to the attention of the Audit Committee in relation to the University's governance framework put in place by the Accountable Officer.

Signed

Date: 20 October 2011

3. Internal Controls Work undertaken

Review	Status	Total Recommendations	Report Classification
Capital and Estates	Complete	4	Low Risk
Marketing Arrangements	Complete	5	High Risk
Taught Post Graduate Student Recruitment	Complete	5	Medium Risk
Key Financial Controls	Complete	7	Low Risk
International Governance – Fergusson College	Complete	2	Low Risk
Transparent Approach to Costing	Complete	5	Low Risk
IT General Controls	Complete	5	Medium Risk
ISIS Benefit Realisation	Complete	3	Medium Risk
Staff Performance	Complete	9	To be confirmed once report finalised.
Research Activity	Complete	5	Medium Risk
Internal Communications	Complete	1	Low Risk
Follow up work (including Cultural Business Centre, Student Recruitment)	Complete	N/a	N/a
Financial Strategy	Complete	0	Low Risk
GCU London Project Management	Complete	N/a	Low Risk
Cash Investigation	Complete	N/a	N/a

Review	Status	Total Recommendations	Report Classification
UKBA Special Investigation	Complete	N/a	N/a

Appendix A: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Internal control

Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. 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

Historic evaluation of effectiveness is not 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.

Responsibilities of management and of 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 have planned our work so that we had a reasonable expectation of detecting significant control weaknesses and, if detected, we carried 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.

We have carried out sufficient procedure to confirm that we are independent from the organisation and management.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Basis of our assessment

In accordance with the Government Internal Audit Standards, our assessment on risk management, control and governance is based upon the result of internal audits completed during the period in accordance with the Plan set and approved by the Audit Committee and the Accountable Officer. We have obtained sufficient, reliable and relevant evidence to support the assertions that we make within our assessment of risk management, control and governance.

Access to this report and responsibility to third parties

This report has been prepared solely for Glasgow Caledonian University in accordance with the terms and conditions set out in our engagement contract. We do not accept or assume any liability or duty of care for any other purpose or to any other party. However, we acknowledge that this report may be made available to third parties, such as the external auditors. We accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 or Freedom of Information (Scotland) Act 2002 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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