

Glasgow Caledonian University Internal Audit Annual Report Year Ended 31 July 2012

16 October 2012



Contents

1. Background and Scope	1
2. Our Annual Report	2
3. Internal Controls Work undertaken	4
Appendix A: Limitations and responsibilities	5

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 University 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 2011/12 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 University 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 University's 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 2011 to 31 July 2012.

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 University 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 2011/12 internal audit plan set and approved by the Audit Committee in September 2011. Our view is subject to the inherent limitations set out at Appendix A of this report.

Annual report on internal controls

- 2.04 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.
- 2.05 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.
- 2.06 We have completed the programme of internal audit work for the year ended 31 July 2012, as set out in the internal audit plan, in accordance with internal audit standards and can report that our internal audit work did not identify any critical or high risk 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 medium and low risk in specific systems and processes but we do not believe that any of these areas require specific disclosure within the Corporate Governance Statement. 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 2012/13.

- 2.07 As at 16 October 2012, one internal audit report remained in draft, awaiting management comments: School Workforce Planning. This report does not contain any critical or high risk recommendations that would impact on this annual report, or highlight any issues we feel should be reflected in your Governance Statement.
- 2.08 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, 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 University.

PricewaterhouseCoopers LLP

Date: 16 October 2012

3. Internal Controls Work undertaken during 2011/12

Review	Status	Total recommendations	Report classification
IT Strategy (VP)	Complete	5	Medium risk
Procurement (VP)	Complete	6	Medium risk
Risk Management – Academic (VP)	Complete	4	Low risk
Staff recruitment (VP)	Complete	4	Low risk
Health and Safety (VP)	Complete	6	Medium risk
Individual Business Plans (VP)	Complete	4	Low risk
School Governance and Reporting Arrangements (VE)	Complete	2	Low risk
Internal Communications (VP)	Complete	–*	Low risk
Workforce planning and productivity (VE)	Draft awaiting management comment but no critical or high findings which would impact on Governance Statement.	4	Medium risk
Key Financial Controls (VP)	Complete	1	Low risk
Agent Management (VE)	Complete	5	Medium risk
Tier 4 Student monitoring (VP/VE)	Complete	1	Low risk

*5 advisory findings

Appendix A: 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 2011/2012 Internal Audit Plan, which provided for 12 internal audit reviews in 2012 days. Our work addressed the control objectives agreed for individual internal audit assignments as set out in our 2011/2012 Internal Audit Plan.

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 2012. 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.

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.

Appendix B: Basis of our classifications

Report classifications

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

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

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

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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