

# *Internal Audit Annual Report 2013/2014*

University of Stirling

October 2014

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# 1. *Executive summary*

## *Background*

The purpose of this report is to present the results of our internal audit work on the University of Stirling's system of governance, risk management and control.

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 2013/2014 Internal Audit Plan, approved by the Audit Committee in September 2013.

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 low, moderate and high rated findings. Based on the work completed we believe that these are isolated to the following specific systems and processes and when taken in aggregate are not considered pervasive to the system of internal control as a whole. Specifically, the high rated findings were:

[REDACTED]

- [REDACTED]
- [REDACTED]

A summary of the key findings are described in further detail in Section 2 on page 2.

## *Acknowledgement*

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

## 2. Summary of findings

Our annual internal audit report is timed to inform the organisation'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 9 internal audit reviews. This resulted in the identification of no critical, 2 high, 16 medium and 23 low risk findings to improve weaknesses in the design of controls and / or operating effectiveness.</p>	<ul style="list-style-type: none"> <li>The 2013/14 Internal Audit work has been delivered in accordance with the plan.</li> </ul>
<p><b>Internal Control Issues</b></p> <p>During the course of our work we identified no critical weakness and 2 high risk weaknesses.</p>	<ul style="list-style-type: none"> <li>As summarised on page 1, based on our fieldwork we do not believe that these high risk weaknesses are of a pervasive nature.</li> </ul>
<p><b>Other weaknesses</b></p> <p>Other weaknesses were identified within the organisation's internal control arrangements relating to [REDACTED]</p>	<p>Weaknesses identified include:</p> <ul style="list-style-type: none"> <li>[REDACTED]</li> <li>[REDACTED]</li> <li>[REDACTED]</li> <li>[REDACTED]</li> <li>[REDACTED]</li> </ul>
<p><b>Good practice</b></p> <p>We also identified a number of areas where few weaknesses were identified resulting in an overall low risk report classification.</p>	<ul style="list-style-type: none"> <li>Residences Project</li> <li>Capital Processes</li> <li>Ethical Framework</li> </ul>








# 3. Internal Audit work conducted

## Introduction

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

The table below sets out the results of our internal audit work.

## Results of individual assignments

Audit unit	Report risk status	To Audit Committee	Number of findings			
			Critical	High	Medium	Low
Risk Management*	Low	March 14	-	-	1	3
Ethical Framework*	Low	March 14	-	-	-	2
Staff Attendance Management*	Medium	March 14	-	-	2	5
						
Delivery of Information Strategy	Medium		-	-	3	2
Cash Processes	Medium	December 13	-	-	2	4
Capital Processes*	Low		-	-	1	5
Residences Project	Low	March 14	-	-	-	-
UKVI Tier 4 Compliance	Low	Dec 13	-	-	1	1
<b>Total</b>			-	<b>2</b>	<b>16</b>	<b>23</b>

\*Advisory recommendations were also made as part of these reviews.

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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 2013/2014 Internal Audit Plan, which provided for nine internal audit reviews in 90 days. Our work addressed the control objectives agreed for individual internal audit assignments as set out in our 2013/2014 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 the University of Stirling 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>	<p>A finding that could have a:</p> <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>	<p>A finding that could have a:</p> <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>	<p>A finding that could have a:</p> <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>	<p>A finding that could have a:</p> <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>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

## 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.



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