

Government and Public Sector
Internal Audit Services

University of Stirling Annual Report

Year Ended 31 July 2011



UNIVERSITY OF
STIRLING



Contents

Section	Page
Annual Report.....	1
Appendix A: Internal Audit Input – Actual v Planned.....	3

This report is intended solely for the information of the University of Stirling. Its existence may not be disclosed nor its contents published in any way without the prior written approval of PricewaterhouseCoopers. PricewaterhouseCoopers does not accept any responsibility to any other party to whom this report may be shown or into whose hands it may come.

Annual Report

Introduction

Purpose

- 1.01 It is accepted “best practice” that the Head of Internal Audit provides the Audit Committee with an Annual Statement on the effectiveness of internal controls based on the work carried out during the financial year. This report constitutes this statement and covers the period from 1 August 2010 to 31 July 2011. The Audit Committee should use this and other sources of assurance it has gained during the year to make an Annual Report to the Court. Additionally we would expect our report to help inform the Court’s consideration of the Statement of Internal Control. The opinion of the internal auditors does not supersede the Court’s responsibility for risk, control and governance.

Scope and Responsibilities

- 1.02 Our agreed work plan is prepared on the basis of the University’s strategic risk register, existing sector knowledge, appropriate discussion with management and the focus and findings of prior internal audit work. We prepared an internal audit plan based on the University’s risk profile. This plan was approved by the Audit Committee.
- 1.03 It is management’s responsibility to maintain systems of risk management, internal control and governance. Respective responsibilities of management and internal audit are set out in our engagement letter.

- 1.04 Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot be held responsible for internal control failures.
- 1.05 This allocation of responsibilities is consistent with the relevant guidance on responsibilities for maintaining a sound system of internal control and the Scottish Funding Council (SFC) Code of Audit Practice. In summary, this guidance suggests that:
- the Court should set appropriate policies on internal control and seek regular assurance that the system of control is functioning effectively;
 - management should implement the Court’s policies on internal control and design, implement and monitor suitable systems; and
 - internal audit should provide an independent assessment of the adequacy of the system of internal control

Internal Audit Work Conducted

- 1.06 Our internal audit work has been conducted in accordance with our letter of engagement, the SFC Code of Audit Practice and the agreed strategic and annual audit plans. Appendix A summarises the internal audit activity undertaken during the period 1 August 2010 to 31 July 2011.

Basis of Assurance

- 1.07 We are able to provide assurance on the adequacy of internal controls within the University arising only from the results of reviews we have completed during the period (see Appendix A), in accordance with the programme approved by the Audit Committee. In this context it is important to note that:
- it is management's responsibility to maintain internal control on an ongoing basis;
 - the internal audit function only forms part of the overall internal control structure of the University; and
 - whilst we have planned our work so that we have a reasonable expectation of detecting significant control weakness, internal audit procedures do not guarantee that fraud, or any other irregularities, will be detected.

Limitations

- 1.08 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from this engagement. These limitations include the possibility of incorrect judgements in decision making, control breakdowns because of human error, control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

Overall Assessment

- 1.09 The internal audit work carried out during the year ended 31 July 2011 was completed as part of the five-year Strategic Internal Audit Plan and included the follow up of recommendations made in previous years. On the basis of this work, we conclude that the University's established internal control procedures were:
- adequate to meet the control objectives agreed with management for each system reviewed; and
 - on the basis of our selective testing, generally operated satisfactorily during the period under review.
- 1.10 Summaries of the issues arising in relation to each system or activity covered by the internal audit work in 2010/11 have been reported separately to the Audit Committee. Appropriate responses to the recommendations made in our reports have been obtained and, when actioned, these should provide management with additional comfort that the systems of control operate as intended.
- 1.11 Furthermore, nothing has come to our attention that would lead us to believe that the opinion of the Audit Committee, to be contained in its report for 2010/11 to the University Court, is not appropriate.

Acknowledgements

- 1.12 We would also wish to express our thanks to all those staff who assisted in supporting the internal audit activity during the year.

Appendix A: Internal Audit Input – Actual v Planned

Planned audit cover	Report Number	Planned Audit Days	Actual Audit Days	Status	Total Recommendations					Grading
					Total	Critical	High	Medium	Low	
Departmental Arrangements – Sports Development Service	145	13	13	Completed	7	-	-	4	3	B
Core Financial Controls	140	10	10	Completed	8	-	-	8	-	B
Financial and Other Controls		23	23							
Governance of Partnerships and Collaborations	141	10	10	Completed	7	-	1	4	2	B
Research and Enterprise ¹	142	8	8	Completed	N/A					
Income Generation Strategy	148	10	-	Postponed until 2011/12						
Use of Corporate Services	143	8	8	Completed	4	-	1	3	-	B
Institutional Capital Investment	146	10	10	Completed	3	-	-	1	2	B
Operational		46	36							
Risk Management	144	10	10	Completed	2	-	-	2	-	B
Corporate Governance Arrangements ²		12	N/A							
Governance		22	10							
Follow Up	147	6	6							
Contract Service Management		10	10							
Total Audit Management		16	16							
TOTAL		107	85							

¹ Deferred from 2009/10

² Deferred until 2011/12 in order to allow the new governance arrangements time to be fully implemented

To assist management we have graded the financial and other core internal audit reports as follows:

Grade	Definition
A	Controls satisfactory, no systems weaknesses
B	Controls largely satisfactory, although some minor systems weaknesses were identified.
C	Significant systems weaknesses were identified which are likely to result in financial loss, poor value for money or significant adverse public reaction.
D	Significant weaknesses identified which are likely to impact upon the ability of the University to meet its corporate objectives.

© 2011 PricewaterhouseCoopers LLP. All rights reserved.

“PricewaterhouseCoopers” refers to the PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

This report is protected under the copyright laws of the United Kingdom and other countries. It contains information that is proprietary and confidential to PricewaterhouseCoopers LLP, and shall not be disclosed outside the recipient's company or duplicated, used or disclosed in whole or in part by the recipient for any purpose other than to evaluate this report. Any other use or disclosure in whole or in part of this information without the express written permission of PricewaterhouseCoopers LLP is prohibited.