# R&D-Report

## Internal Control and the COSO framework: Application to the university sector.
## Lessons learned

Report from the international project CPEA-ST/10022

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| Denne rapporten beskriver erfaringer fra samarbeid med internasjonale partnere og erfaringer fra gjennomføringen av det internasjonale prosjektet CPEA-ST/10022 *"Internal Control and the COSO framework: Application to the university sector"*, finansiert av Direktoratet for internasjonalisering og kvalitetsutvikling i høyere utdanning (DIKU). | Intern kontroll, COSO rammeverk, høyere utdanningsinstitusjoner, internasjonalt prosjekt, Norge, Ukraina. |

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| This report aims to describe experiences from cooperation with international partners and lessons learned during the realization of the international project, CPEA-ST/10022 *"Internal Control and the COSO framework: Application to the university sector"*, financed by the Norwegian Agency for International Cooperation and Quality Enhancement in Higher Education (DIKU). | Internal control, COSO framework, higher education institutions, international project, Norway, Ukraine. |

Report from the international project CPEA-ST/10022

# Internal Control and the COSO framework: Application to the university sector

Lessons learned

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# Contents

**Acknowledgements**

# Introduction

This report aims to describe experiences from cooperation with international partners and lessons learned during the realization of the international project, *CPEA-ST/10022 "Internal Control and the COSO framework: Application to the university sector"*, financed by the Norwegian Agency for International Cooperation and Quality Enhancement in Higher Education (DIKU). First, we present the overall goals of the project and the project outcomes and describe the elements of the developed online course. Then, we describe the evaluation and quality assurance process implemented during the project's realization. Finally, we describe the overall lessons learned from the project.

# Goals of the project

The project's aim was to develop an online competence improvement course in Internal Control, by applying the framework provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for Ukrainian universities. The COSO framework is among the most used frameworks for internal control today worldwide and defines internal control in the following way: Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. By improving the competence of administrative university staff, this might make a contribution to better and more modern university management in Ukraine.

The aim of the project is thus to contribute to the modernization of the Ukrainian universities and make them more transparent in their activities. It is a way to assist the European integration of the universities and their financial possibilities for self-development, and to strengthen university autonomy. In Ukraine, the modernization of management in higher education has been named among its development priorities.

The project's implementation contributes to the improvement of university management in the field of internal control, by significantly raising the level of professionalism of staff involved in this field. The project also contributes to the achievement of another goal stated in the Ukrainian strategy: namely, the improvement of financial capacity and transparency of the higher education institutions (HEIs). Well-developed and well-documented systems of internal control can also improve the abilities of Ukrainian universities to gain access to international projects and funding.

## Results achieved

Through cooperation between four public universities, one in Norway (Nord University Business School) and three in Ukraine (Taras Shevchenko National University of Kyiv, Ternopil National Economic University and Yuriy Fedkovych Chernivtsi National University), the online course was developed, placed on Canvas, an e-learning platform, and tested during 2018-2019.

Twenty-two participants took the course in 2019, successfully completing it by December 2019. Thereafter, each participant received a certificate, issued and signed by four partner universities (see Appendix A). Exit work requirements or final group presentations, outlining the main elements of the COSO framework and ways of improving interval control at each partner university, are attached as Appendixes B-D.

# Developed online course description

**Internal Control and the COSO framework: Application to the university sector**

**Level of course:** Continuing education (workload corresponds to 5 ECTS)

**Type of course:** Online

**Teaching language:** English

**Course coordinator:** Olga Iermolenko olga.iermolenko@nord.no

**Costs:** No tuition fees

**Course evaluation:** Students evaluate the course by evaluation survey

**Responsible institutions:** Nord University Business School, Norway; Taras Shevchenko National University of Kyiv, Ukraine; Ternopil National Economic University, Ukraine; and Yuriy Fedkovych Chernivtsi National University, Ukraine

**Course description**

Developed through cooperation between Nord University Business School, Taras Shevchenko National University of Kyiv, Ternopil National Economic University and Yuriy Fedkovych Chernivtsi National University, the course gives an overview of internal control systems through the COSO framework, which was introduced in 1992 and updated in 2013. The COSO framework is among the most used frameworks for internal control today worldwide and is a valuable tool for many types of organizations, both public and private. The course provides a historical background to the development of internal control systems, as well as to the practical needs and advantages of having solid systems of internal control.

The course focuses on why internal control is needed to ensure that organizational/project objectives are achieved, funds are used properly, irregularities

are avoided, and risks are identified and handled through procedures designed to minimize the risks to the organization.

The course is arranged as a guided self-study online course. It takes place on the Canvas, web-platform for distance learning. After being admitted to the course, students gain access to the course "room" on Canvas, where all study materials and assignments are available.

The course consists of four components – Control environment (Module 1 by Yuriy Fedkovych Chernivtsi National University, ChNU), Risk assessment (Module 2 by Nord University Business School, NUBS, Norway), Information and communication (Module 3 by Taras Shevchenko National University of Kyiv, KNU, Ukraine) and Monitoring activities (Module 4 by Ternopil National Economic University, TNEU, Ukraine) – the principles behind the framework and practical ways to ensure that systems of internal control are effective.

Each module includes several self-study videos supplemented with PowerPoint presentations/slides and other materials (required and recommended readings, Internet links, etc.). Each module consists of written exercises and quizzes to evaluate learning progress. The participants are judged based on a multiple-choice test, obligatory assignments after each module, as well as a final presentation given at the end of the course.

**Learning outcomes:**

*Knowledge*

upon completion of the course, the participants will have knowledge and understanding regarding:

- The historical development of, and driving forces for, internal control system development in organizations.
- The components of the COSO framework for internal control (Control environment, Risk assessment, Information and communication, Monitoring activities), as well as its principles.
- The indicators of a proper functioning system of internal control.

*Skills*

upon completion of the course, the participants will be able to:

- Apply the COSO framework to design internal control systems.
- Analyze problems of internal control system functioning in a university.
- Identify and avoid barriers to the proper functioning of internal control systems.

*General competence*

upon completion of the course, the participants will improve their:

- Skills in group and teamwork.
- Ability to assess and discuss the tension between the general framework and context-specific practice.
- Ability to link theory and practice.

**Prerequisites:** Participants must work at a Ukrainian higher education institution

**Recommended previous knowledge:** None

**Mode of delivery:** Distant mode / online course

**Assessment methods and criteria:**

- Each participant delivers written assignments and takes a multiple-choice test after each module, as well as presenting in groups their university's internal control systems on the basis of the COSO framework at the end of the course.

**Grade:** passed/not passed.

**Study progression requirement:** N/A

**Required reading:** Moeller, Robert R. (2014) *Executive's Guide to COSO Internal Controls: Understanding and Implementing the New Framework*. Hoboken, New Jersey, Wiley Corporate F & A. Web. A list of additional reading is available on Canvas for each module.

# Quality assurance and evaluation

Quality assurance was a crucial point for the project's realization. To assure the quality of the teaching material, each university team was tasked with going through another university's modules and giving their critical opinion about the teaching material and tips for improvement. Thus, before launching the course, each module was critically assessed by another university's team of teachers. Based on this feedback, the university responsible for each module had an opportunity to modify the tasks and to re-tape the video lectures.

An anonymous survey was carried out among course participants at the end of the course. The survey included "closed" multiple-choice questions, where course participants were asked to, for example, evaluate how satisfied they were with the practical information received before and during the course on a scale from 1 ("poor") to 5 ("excellent"). We also asked several open-ended questions (e.g. "Please tell us why you were satisfied or dissatisfied with the course", "Please suggest improvements for delivering the course materials in Canvas and how", and "Do you have any further comments and suggestions?").

Here is a short summary of the results of this survey. Course information dissemination ("Were you satisfied with the practical information you received before and during the course?") was rated by 72% of participants as excellent, with 28% giving a score of 4 to this question. Rating the lectures provided by each of the faculty members (Module 1 by ChNU, Module 2 by NUBS, Module 3 by KNU and Module 4 by TNEU), participants gave excellent scores (5) to two of the modules; a few project participants suggested some improvements to the other two modules, however, giving them a score of 4. This means that, overall, the video lecture material was well received.

We asked four other questions that needed to be rated on a scale from 1 ("to a low extent") to 5 ("to a high extent"). Of the course participants, 60% answered that they

were satisfied with the course content and the topics taught, and 40% gave a score of 4 to this question. Some participants suggested adding a fifth module to the course material (the third element of the COSO framework, "Control Activities"). We will consider this comment and will possibly add the fifth module to our online course.

To the question "Were you satisfied with the structure of the course (four modules, lectures, exercises)?", all course participants (100%) answered that they were satisfied to a high degree (score 5). Among written comments, there were many stating that the course was quite detailed, interesting, and that the materials were presented in an accessible/convenient form. Moreover, participants mentioned that practical tasks made it possible to not only consolidate theoretical material but also analyze the activities of the university according to the proposed methodology.

More than 70% of course participants said that the course is highly relevant to their work and that they will attempt to use the new knowledge gained during this course and to implement it in practice and communicate it to the higher administrative layers of the universities. Their overall learning outcomes were rated as excellent by 86% of course participants. Many participants stated that, because of this course, they have had the opportunity to look at their university from an opposite corner. Other participants stated that internal control will be the topic of their further research.

Among other comments and suggestions for improvement of the course, the following thoughts were expressed:

- *To have more time and opportunities for discussions and face-to-face meetings with faculty and course participants.* There was only one final gathering of all project participants at the end of the project. However, different introductory and supervisory meetings were conducted with project participants at each Ukrainian partner university during the course. More interaction with NUBS was expressed to be important. We may introduce more offline-format meetings in

the future to facilitate information exchange. We will investigate possibilities for convenient online interaction between participants from different universities on Canvas or other e-learning platforms suited to this purpose.

- *To prolong the time for completion of each module.* In 2019, participants had approximately three weeks to complete each module. Some participants struggled to deliver tasks on time. In order to strengthen the motivation, we offered a short-term internship at NUBS for the three most successful candidates. This was very well received, and it seems that it facilitated the process of completing different modules. In the future, we can consider prolonging the time for each module.

- *Internship at the Norwegian university.* Due to limited funding, we could not offer this option to all candidates. However, based on the complex evaluation that includes written assignments, tests and final group presentation, we selected the three best candidates (one from each Ukrainian partner university) to come to Bodø in March 2020.

- *Using Ukrainian/English subtitles.* Some course participants suggested using subtitles in English or Ukrainian languages, in order to make it easier for them to follow the lectures. At the time of filming the lectures, we did not have this option, but we will consider adding subtitles for the next course.

- *Other issues.* Interest was expressed in learning more about the Western European higher education institutions and seeing more examples of poor/excellent internal control practices, showing the signals/facts of poor internal control in companies, organizations and their consequences and risks, as well as how companies found solutions to the situations. We can consider adding information on these issues to our course in the future.

Among important spin-offs of the project, participants mentioned that they have gained new contacts inside their universities and outside, which has opened up new forms of cooperation and group work for them.

# Lessons learned

Reflections on the lessons learned from the project from each university are presented below.

## Taras Shevchenko National University of Kyiv

*Development of an online course.* Lecturers of the course come from different universities and even countries and have different views and traditions regarding teaching students. It could be a challenge to create a harmonious course. Thus, face-to-face meetings and discussions became very useful. They helped to gain a common view regarding the style, structure and methods of the course. Together, exchanging teaching experience and creative ideas, we reached a consensus on the type of visual presentations and delivery of materials, and talked about examples and practical situations which could be used to facilitate the students' understanding, and developed common methods of evaluation.

Filming short videos could be another interesting challenge for lecturers, assuming that online and distance learning have captured education worldwide, although it is still a rarity for Ukrainian universities, where lecturers are used to in-class courses. Thus, it was a very unique and valuable experience for Ukrainian lecturers and one which has substantially broadened their professional skills. From this experience, I learnt that, to make an appealing video lecture, you need to make the content more concise and less theorized, while working more on speech and emotions.

The focus of the course was on the students who are practitioners, have work experience in financial control and understanding of the management problems in their university. The tasks were developed, assuming that students are able to make comparative analysis, identify problems and develop improvement measures which may be used in their place of employment. Thus, the final presentations of students

contained useful data for practical use in financial management and control at universities.

*Running the course.* The first run of students on the course were the administrative and teaching staff of Taras Shevchenko National University of Kyiv, Yuriy Fedkovych Chernivtsi National University and Ternopil' National Economic University. According to the feedback reports, the general attitude of students is very positive, and the course gained high points in almost all areas of the evaluation form, although some remarks are worth considering.

Relying on the students' feedback reports and my personal observations, it is obvious that, although the course is intended to be online, this does not exclude the necessity for the students to communicate among each other and with lecturers. The topics raised during the course are very practical and discussible; thus, students and lecturers would benefit from the possibility to chat together. For this purpose, there is a need to develop a kind of chat platform in the future.

The second interesting remark is knowledge of the English language. The administrative staff of Ukrainian universities are highly experienced and professional in their work, but some of them do not know English at a sufficient level to understand the video lectures in English. Some of the students commented on this in their feedback reports. It was also evident to the project team that students experienced difficulties with the oral presentation of their final work during the seminar because of the language barrier. Thus, we need to think about the language issue and create some flexibility, for instance adding Ukrainian subtitles to the video lectures, etc.

*International and national certification.* The project team members raised this question among the administrative staff in the universities and discussed it with the first students of the course. All admitted that a formal award, such as certification, is important for the further introduction and popularization of the course.

To conclude, the experience and insights gained by the project team members and first-run students indicate that the course, "COSO Internal Control Online Course", is an effective tool to raise the problems of financial control, to coordinate and educate staff to improve the existing situation in their universities using European approaches and experience. The project, "Internal Control and the COSO framework: Application to the university sector", has been an important step in achieving the general goal to improve management in Ukrainian universities.

## Ternopil National Economic University

It is unique and exciting that all the COSO project team members from different universities were able to take an active part in the development of the course. We were greatly impressed by the productive and interesting meetings in Norway and Ukraine. The project's program was dynamic, complete and eventful. We had the unforgettable opportunity of creating a self-study online course that includes video lectures, presentations, theoretical and practical tasks, tests, recommended reading and other materials. We were delighted with the psychologically positive climate of communication between project members, and with the hospitality and goodwill of each of them.

Many lessons were gained from this project. First of all, we discovered for ourselves the importance of the COSO framework, which is among the most used frameworks for internal control today and is a valuable tool for many types of organizations, especially for universities.

The project gave us a deep understanding of the practical needs and advantages of having a complete system of internal control at the university. We could analyze the activities of the university from the COSO framework point of view, and we discovered the university's weak and strong positions. We analyzed the control environment at the university, identified risks, described information and communication system, and

monitored activities at our university. This project provided – not only team members but also all participants (students) – with an understanding of the problem of building an effective system of internal control at their universities. All of them could see some problems in the system of internal control in their universities and could offer some proposals to amend problems.

During the preparation of the online course and the evaluation of the students' results, we realized that it is advisable to conduct this online course on a regular basis and to reach a much larger number of participants from different universities. We have seen that it is advisable to implement internal control training as a permanent component of the university's internal control. It could be a good idea to create a website for informational support for the construction of the internal control system in the university sector, with an introduction to the latest technologies of internal control.

## Yuriy Fedkovych Chernivtsi National University

The idea of developing a joint online course originally arose at the Conference, "Ukrainian universities as subjects of the state anti-corruption policy" (Kyiv, September 2016), and later at the seminar at NUBS (Bodo, November 2016). The active phase of the project began with a seminar, "Internal Control seminar: COSO framework applicability for universities" (Kyiv, December 2017), where the members of the Norwegian-Ukrainian University Alliance became acquainted with the COSO Internal Control framework. From the joint seminar in Bodo in January 2018, four universities' project teams started working on developing the curriculum for the joint educational course.

In general, the best result of the four years of collaboration was the direct involvement of the employees of the four universities in all stages of the project – from idea generation to discussions of the result achieved, course evaluation and reporting. Such participation has made it possible to improve the skills of the administrative and

teaching staff of our institution, as well as forming a new working group (expert group on internal control) at the university.

Team members were able to gain useful experience of participating in various project activities, including coordination and management (university administration), development of the initial program, lectures, tasks, processing of literature, recording of video lectures, introduction of training module materials into the e-learning system, Canvas, and participation in foreign trips (teachers directly involved in developing the course, filming lectures and formulating course tasks). An important outcome of the project for our university is that our staff completed online learning and training, completing tasks and preparing a final presentation, with recommendations for improving the internal control system according to COSO standards for ChNU.

The model and plan of the project activities allowed an improvement in the individual skills of the group participants, including the preparation and recording of video lectures, work in the multimedia studio of Nord University, study and use of the distance learning system, and elements of teamwork.

The pilot training team was able to address a number of issues related to the use of the COSO internal control system and present it to the university's management, including an analysis of the elements and principles of the COSO internal control system. Course participants provided a description of the educational environment, risk management and monitoring of university activities. Modern control tools for the organization of the university's scientific and educational activities were tested. Using the COSO framework, the group critically assessed the system of internal control of ChNU and offered recommendations for its improvement.

# Nord University Business School

It is desirable for all educational institutions to have international cooperation, and this project has made a substantial effort to build a long-term partnership (friendship) between NUBS, ChNU, TNEU and KNU. Since the course was completed by the first group, we have gained useful ideas on how to improve the course. Among the most important lessons learned, we could name the following.

First, more individual contact and face-to-face meetings with the project's participants are needed, either online or offline. It has been shown that there is a need to provide greater motivation to complete the online course. We decided to award the three most successful candidates from KNU, ChNU and TNEU with an opportunity to have a short-term internship at NUBS in the spring of 2020. Second, when we next hold the course, we should conduct a survey at the beginning and at the end of the course, to be able to evaluate the progress in learning and have an opportunity to give more guidance to those participants who struggle to understand the different concepts of internal control.

Third, administrative support is needed during the course. Although different university teams are involved in the course and are responsible for their modules, one coordinator from NUBS was needed to provide assistance to course participants and to follow up. This person has to coordinate the work of students and teachers; otherwise, it is difficult to run the course on Canvas without someone who is responsible for these administrative matters.

Fourth, we had an opportunity to learn more about each other's competence and scientific interests. This made it possible to connect during other meetings at the universities and invite guest lecturers to NUBS. And finally, based on the competence gained during the project, we have developed several ideas for further cooperation on

possible cross-country research and educational projects, and we are currently investigating different funding opportunities.

We would like to express our gratitude to all involved for the exciting project and the achieved project results!

**Pictures from the graduation seminar at Taras Shevchenko National University of Kyiv, Faculty of Economics, 11 December 2019**

# Summary

The development of this course has provided a platform for developing further courses at Ukrainian universities and also at Nord University. This is a good foundation for other courses and degrees that supply this necessary expertise to different higher education institutions in Ukraine and in other countries. Development of the course has also led to an improved partnership between KNU, ChNU, TNEU and NUBS, and broadened the basis of our cooperation.

# Appendixes

Appendix A – Example of certificate issued for project graduates

Appendix B – Graduation presentation by Ternopil National Economic University

Appendix C – Graduation presentation by Taras Shevchenko National University of Kyiv

Appendix D – Graduation presentation by Yuriy Fedkovych Chernivtsi National University

# CERTIFICATE

This certifies that

## Iryna Tkachuk

from June 10th till December 10th, 2019

has participated in the international internship of the Joint Norwegian–Ukrainian Project
CPEA-ST/10022 "Internal Control in the COSO framework: Application to the university sector"
and successfully completed

COSO Internal Control Online Course (180 hours)

Kyiv, December 11th, 2019

Erlend Bullvåg
Dean, Professor, Ph.D
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Roman Petryshyn
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Leonid Gubersky
Rector, Professor, Dr.
Taras Shevchenko National
University of Kyiv

**Internal Control and the COSO framework: Application to the university sector**

**Learning outcomes:**

*Knowledge*

upon completion of the course, the participants have knowledge and understanding about:

- The historical development and driving forces for internal control system development in organizations.
- The components of the COSO-framework for internal control (Control environment, Risk assessment, Information and communication, Monitoring activities), as well as principles.
- The indicators of a proper functioning system of internal control.

*Skills*

upon completion of the course, the participants are able to:

- Apply the COSO-framework to design internal control systems
- Analyze problems of internal control system functioning in a university.
- Identify and avoid barriers to the proper functioning of internal control systems.

*General competence*

upon completion of the course, the participants improve their:

- Skills in group and team work
- Ability to assess and discuss the tension between the general framework and context specific practice.
- Abilities to link theory and practice

**Ternopil National Economic University**

# The history of the University

## The Establishment of Ternopil National Economic University

*1966-1967* – Ternopil Branch of Financial and Economic Faculty of Kyiv Institute of National Economy named after D. Korotchenko

*1967-1970* – Ternopil Faculty of Kyiv Institute of National Economy

*1971-1989* – Ternopil Financial and Economic Institute

*1989-1994* – Ternopil Institute of National Economy

*1994-2005* – Ternopil Academy of National Economy

*2005-2006* – Ternopil State Economic University

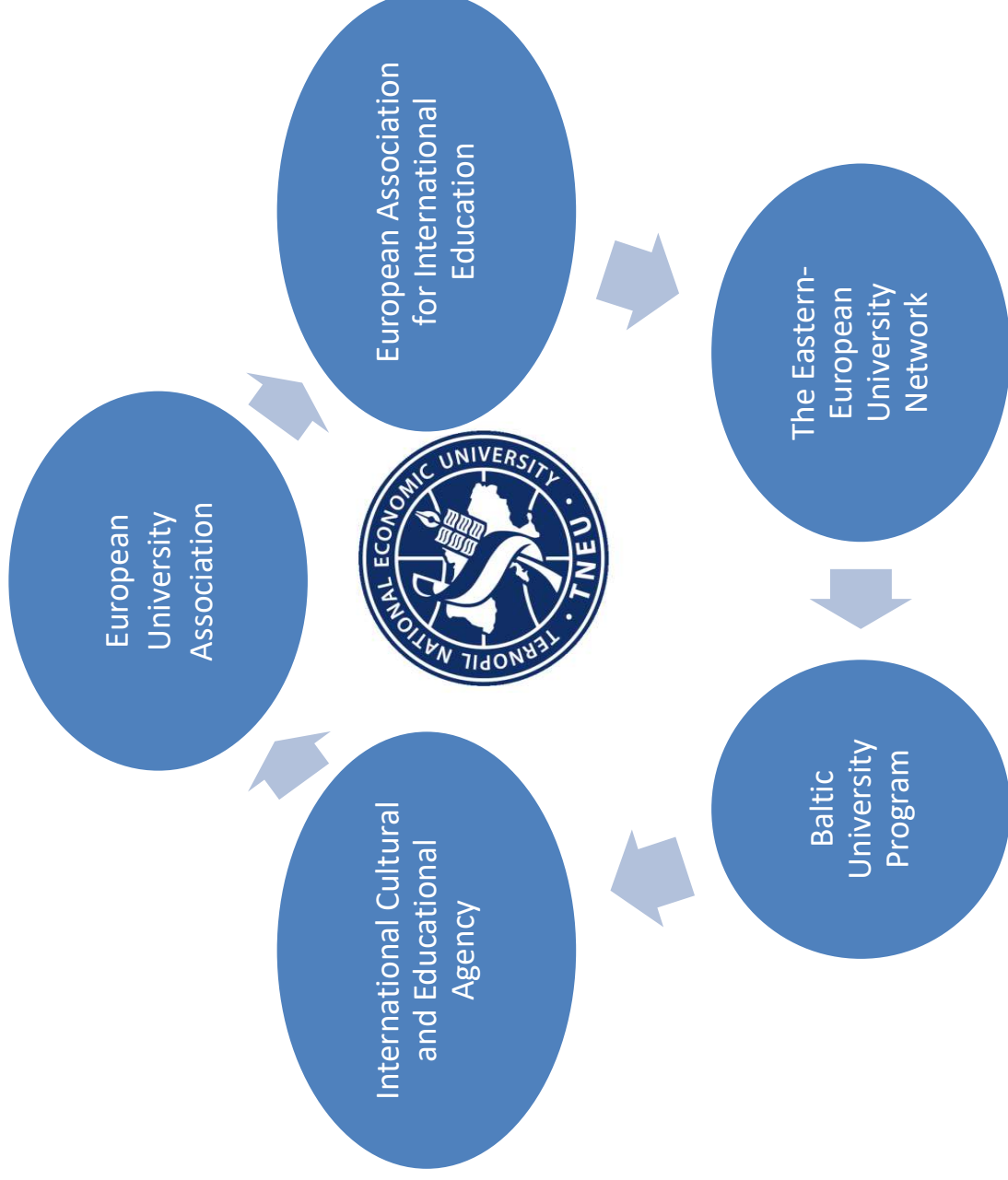*September 29th, 2006* – now – Ternopil National Economic University

# TNEU NOW

• Ternopil National Economic University is ranked within the top 10 higher educational centers in Ukraine. Currently, approximately 250 students from 30 countries and students from 23 regions of Ukraine are being trained at Ternopil National Economic University.

• Ternopil National Economic University prepares students for all degrees of higher education, including Junior Specialist's, Bachelor's, Master's, PhD (Candidates of Science) and Doctors of Science. There are currently 7 institutes, 5 faculties, 7 international programs and faculty programs, 3 branches and 4 colleges within Ternopil National Economic University.

# Membership of international organizations, associations and network

European Association for International Education

The Eastern-European University Network

European University Association

Baltic University Program

International Cultural and Educational Agency

TERNOPIL NATIONAL ECONOMIC UNIVERSITY · TNEU ·

# The Leadership of TNEU

| Rectorate | Academic Council | Supervisory Board |
|---|---|---|
| - carries out operative management of scientific, scientific-pedagogical, administrative-economic activity of the University;<br><br>- organizes educational processes, scientific and educational work, personnel, financial and economic activities of the University;<br><br>- ensures compliance with state education standards;<br><br>- creates appropriate conditions for effective educational processes, scientific and professional activity;<br><br>- facilitates the organization of international cooperation;<br><br>- resolves the current financial status of the University;<br><br>- resolves other issues identified by the Charter as the University's mission, rights and responsibilities. | - determines the strategy and prospective directions of the development of the University's educational, scientific and innovative activities;<br><br>- approves the financial plan and the annual financial report of the University;<br><br>- determines the system and approves the procedures for the internal quality assurance of higher education;<br><br>- makes decisions on the organization of the educational process, determines the terms of training at the appropriate levels;<br><br>- considers other issues of the University's activities, in accordance with its statute. | promotes<br>- the solving of prospective tasks of its development;<br><br>- the attraction of financial resources for the maintenance of its activity regarding the basic directions of development and control over their use;<br><br>- effective interaction of the University with state bodies and local self-government bodies, the scientific community, socio-political organizations and economic entities in the interests of the development and improvement of the quality of educational activities and competitiveness of the University;<br><br>- exercises public control over the activities of the University. |

# TNEU Control Environment Cube



## STRUCTURE AND ACCOUNTABILITY

Ternopil National Economic University holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

## COMMITMENT TO COMPETENCE

Ternopil National Economic University demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
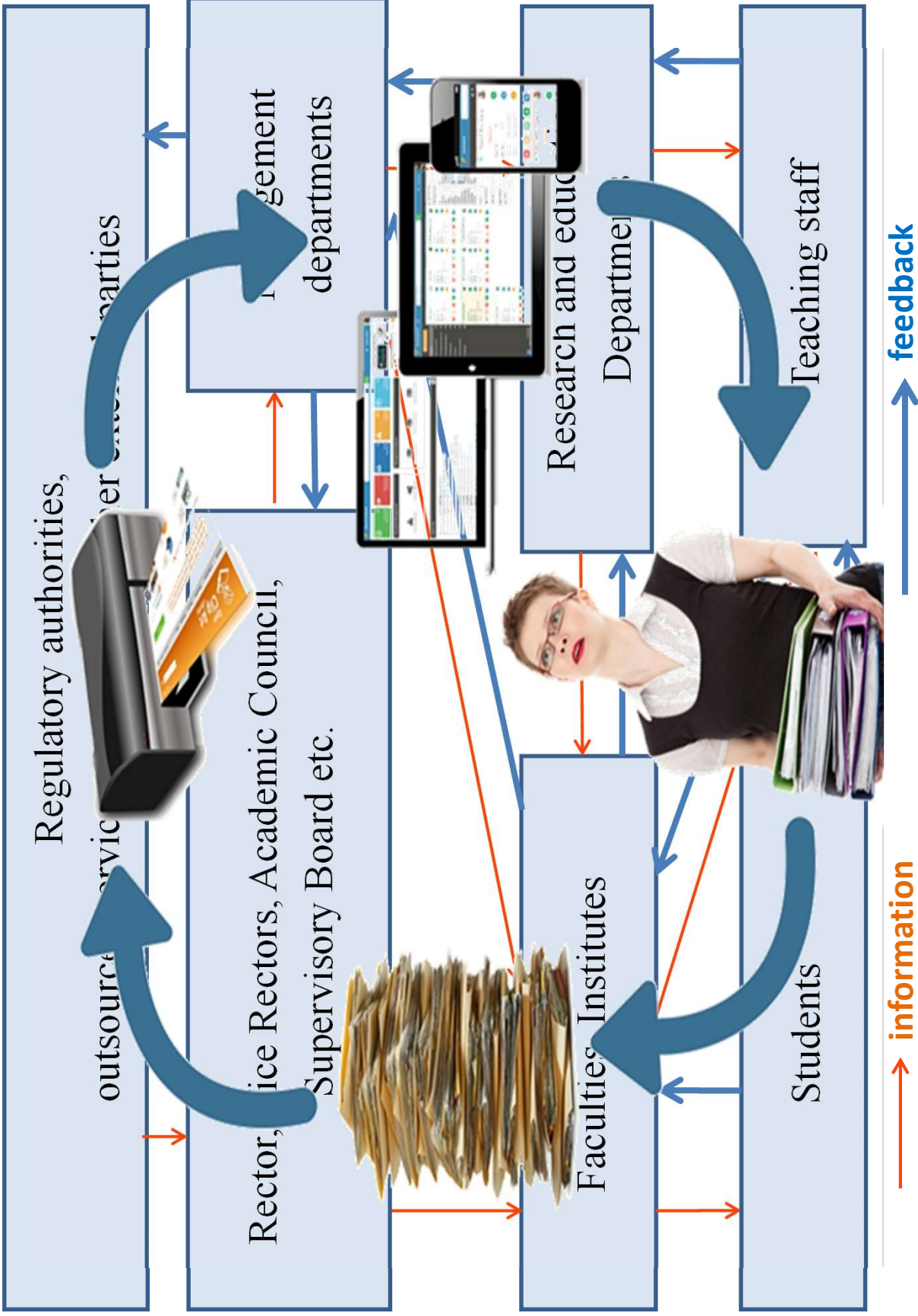
## AUTHORITY AND RESPONSIBILITY

Ternopil National Economic University establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
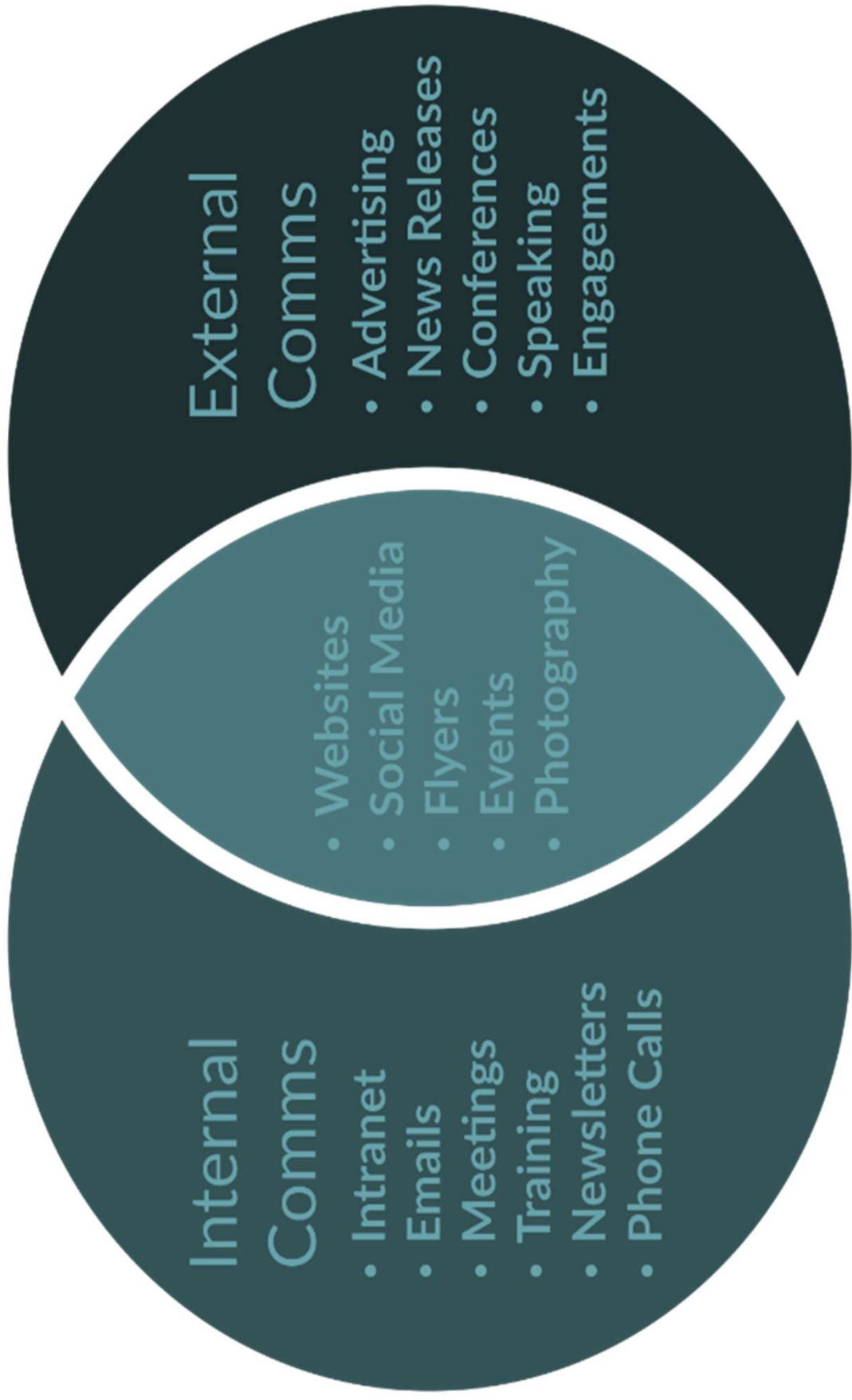
## ETHICAL VALUES

Ternopil National Economic University demonstrates a commitment to ethical values: trustworthiness, respect, responsibility, fairness, caring.

## INTEGRITY VALUES

Ternopil National Economic University demonstrates a commitment to integrity values: to compensate employees fairly, to know competitors, to engage with employees.

## OVERSIGHT MONITORING

Ternopil National Economic University evaluates and communicates, with board oversight, internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

# TNEU Risk Assessment Matrix

| | | | |
|---|---|---|---|
| BRAND MANAGEMENT | IMMIGRATION | RESEARCH EXPENDITURES | TALENT MANAGEMENT |
| DIGITALIZATION | OPERATIONAL EFFICIENCY | FACILITIES AND ASSET MANAGEMENT | ACCREDITATION |
| VIRTUALIZATION | CAMPUS SAFETY | CYBER SECURITY | STUDENT DEBT AND ACTIVISM |

INFLUENCE

SENSITIVITY

# TNEU Information and Communication system

Regulatory authorities, ~~other parties~~

outsour~~cing services~~

Rector, ~~V~~ice Rectors, Academic Council,
Supervisory Board etc.

~~Mana~~gement ~~of th~~e ~~university~~
departments

Research and educa~~tion~~
Department~~s~~

Teaching staff

Faculties, Institutes

Students

→ **information**

→ **feedback**

# TNEU Information and Communication System



**External Comms**
- Advertising
- News Releases
- Conferences
- Speaking Engagements

**Websites**
- Social Media
- Flyers
- Events
- Photography

**Internal Comms**
- Intranet
- Emails
- Meetings
- Training
- Newsletters
- Phone Calls

# Monitoring

- An effective approach to monitoring involves (1) establishing a foundation for monitoring, 

- (2) designing and executing monitoring procedures,

- (3) assessing and reporting the results.

**Establish a Foundation**
- Tone from the top
- Organizational structure
- Baseline of effective internal control

**Design & Execute**
- Prioritize risks
- Identify controls
- Identify persuasive information about controls
- Implement monitoring procedures

**Assess & Report**
- Prioritize findings
- Report results to the appropriate level
- Follow up on corrective action

**Supported Conclusions Regarding Control Effectiveness**

*Without monitoring, even good controls deteriorate over time*

# Proposals

- Implement a responsible person or an office for internal information and communication as a part of the internal control department

- Make our University's local network more transparent and useful

- Switch more from a paper-based information system to an IT-based system and electronic data interchange (EDI)

# Proposals

- Implement an annual University-wide survey of students and employees

- Use the University's assessment system to transparently evaluate the personal involvement of teaching staff and researchers

- Implement internal control training as an ongoing component of the University's Internal Control
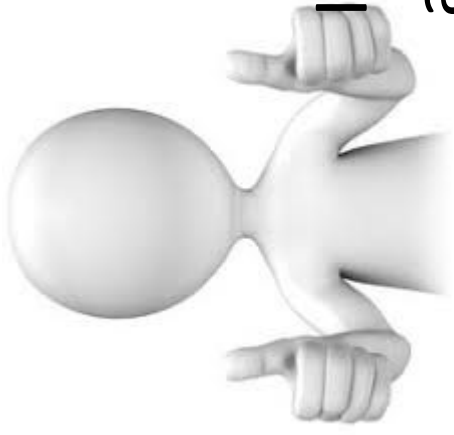
# Conclusion

Internal control at our University is adequately designed and properly executed.

- All five internal control components of the University-adopted COSO methodology (**Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring**) are **present and functioning**.

# Thank you!

ТЕРНОПІЛЬСЬКИЙ НАЦІОНАЛЬНИЙ ЕКОНОМІЧНИЙ УНІВЕРСИТЕТ · ТНЕУ ·
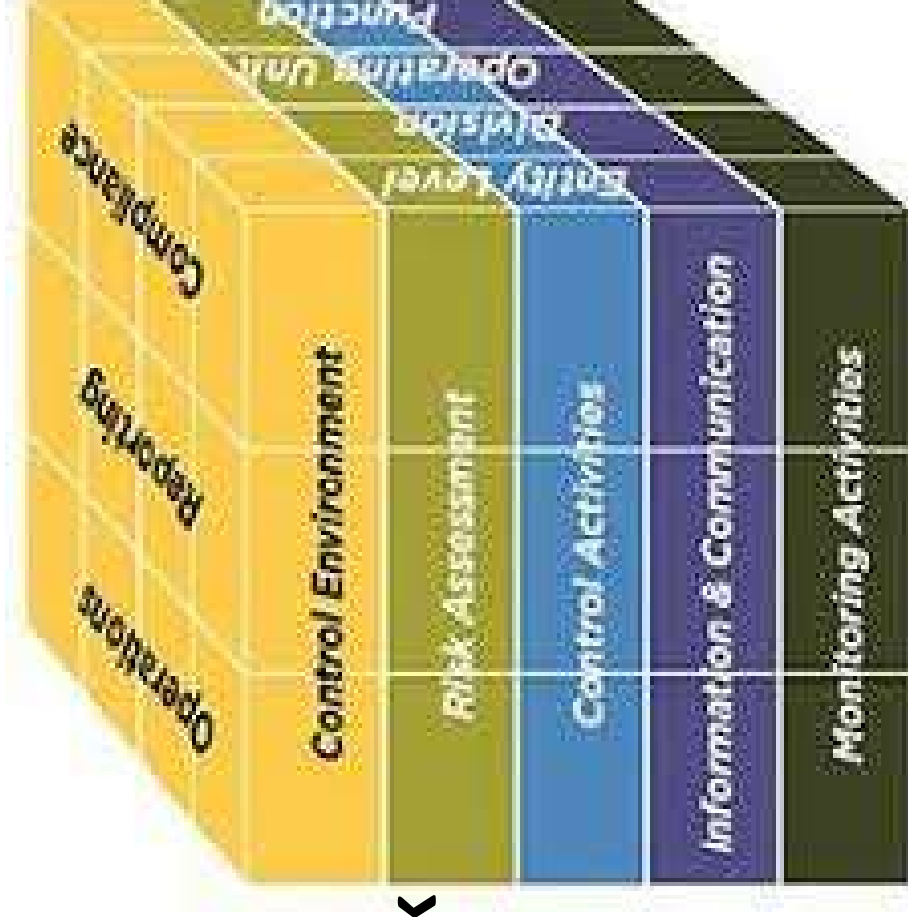
COSO

COMMITTEE OF SPONSORING
ORGANIZATIONS OF THE TREADWAY COMMISSION

*The implementation of
COSO risk management*

# Key Fundamental Concepts of Risk Management

- A continuous process that covers the entire organization

- Is implemented by employees at all levels of the organization

- Used in strategy development and formulation

- Applied throughout the organization, at each of its levels and in each unit, and provides for analysis of all risks at the organizational level

- Aims to identify all events that may affect an organization's activities and adequately respond to risks, so that they do not exceed the maximum level (risk appetite)

- Gives assurance to management and the "Board of Directors" in achieving the goals

# The goals of the university are

**Strategic goals** are to carry out state-level educational activities at a high-quality level and to train highly qualified specialists
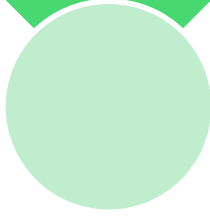
**Operational goals** are goals that determine the efficient and effective use of resources
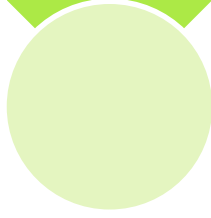
The objective for preparing the **financial statements** is the reliability of the reporting
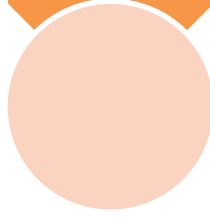
**Legislation goals** are to comply with all regulatory requirements

# The risk management process consists of the following components:

➤ Control (internal) environment

➤ Goal setting

➤ Definition of events

➤ Risk assessment

➤ Responding to risks

➤ Control measures

➤ Information and communication

➤ Monitoring

*The COSO principles are not fully formed at the University. However, the University is an institution with many years of experience. It has its own organizational structure, with well-established horizontal and vertical links, a hierarchy and subordination, with a clear division of responsibilities and areas of responsibility for each unit, with defined functional responsibilities for each employee.*

The basic principles of a strong COSO management environment can be applied:

- Integrity and ethical values
- Role of the Board of Directors
- The need for power and responsibility
- Identification of the strengths of human resources
- Responsibility for internal control

# 1. Integrity and ethical values

All University staff create a unified University community that works for the common outcome and reputation of the institution. The University has adopted a Code of Ethics for the University community, which sets out clear rules of conduct that all employees from the rector to the technician must adhere to.

# 2. Role of the Board of Directors

The University as a state institution does not have a board of directors. However, the function of controlling the institution's management is performed by the Supervisory Board, the Academic Council and the general meeting (conference) of the labor team, as the supreme collegial body of public self-government. Also, the controlling function is assumed by the state, in the role of the Ministry of Education and Science of Ukraine, as the founder of our institution.

# 3. The need for power and responsibility

Direct management of the institution's activity is carried out by its head – the rector.

The head of the institution is responsible for the implementation of educational, scientific, technical and innovative activities, the results of financial and economic activities, and the condition and preservation of real estate and other property.

The University, in accordance with the organizational structure, with its vertical and horizontal division of labor, forms appropriate lines of communication, for information gathering and reporting, which are necessary for planning, performing control and periodic evaluation of the activity of the entire University.

# 4. Identification of the strengths of human resources

The University's human resources are determined by the approved employee list. Each employee has his or her approved personal functional responsibilities that clearly define the area of his / her activity and responsibilities.

# 5. Responsibility for internal control

The University has the most developed internal control over financial activity, and it is precisely regulated financial statements that are controlled and audited by the state. The University has a department of internal control and audit, and an anti-corruption department. However, in all other areas of activity, there are no clear performance indicators for which staff can be rewarded or punished. Individual results would be greatly enhanced if the employee were clearly aware of the level of efficiency he would be responsible for and for which he would receive fair remuneration.

Operational risks

Information risks

The main risks that arise in the current realities of our University

Financial risks

Strategic risks

# Strategic risks

➤ Globalization

➤ Aggression from the Russian Federation

➤ Demographic situation and significant imbalance in the labor market

➤ Reforms in state education standards

➤ Reforms in the quality of education

# Operational risks

➤ Organization of educational activities

➤ The latest technologies of the educational process

➤ Staffing

➤ University-wide information base

➤ Licensing

# Financial risks

- State financial security
- Business involvement in financing
- Financial autonomy
- Pricing
- Specific conditions of financial management policy

# Information risks

➤ The reputation of the University

➤ University rating

➤ Advertising of new specialties

➤ Information exchange system

➤ Access to operational information and communication

**For the successful analysis and risk assessment of the University's activities, the following are necessary**

Carry out continuous monitoring

Have the widest possible range of information

Respond promptly to both internal and external factors

Create a general information base for the University, enabling information to be exchanged not only between the vertical (leadership) and horizontal (between units) areas, but to respond more quickly to internal challenges

Establish a monitoring unit that should continuously analyze and evaluate potential risks and develop an internal control strategy

# Internal Control and the COSO framework: Application to the Yuriy Fedkovych Chernivtsi National University

www.nord.no

NORD
University

## YURIY FEDKOVYCH
## CHERNIVTSI NATIONAL UNIVERSITY
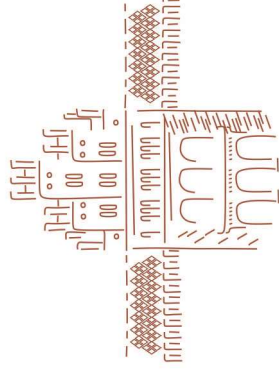
- one of the oldest classical universities in Ukraine (**1875**)
- about **16,000** students
- About **1200** teaching staff
- **12** faculties, **2** institutes, **1** college
- **8th** place among the best classical UA universities
- **4th** place according to Scopus database in 2018
- intensive international activity with more than **30** countries

# COSO CONTROL ENVIRONMENT AT CHNU

## Deficiencies

- University regulations are declarative in nature
- The Code of Conduct is actually absent
- There is no University development strategy
- The Supervisory Board does not hold meetings in fact
- Changes in the University external conditions do not allow goals and objectives to be formulated
- Lack of material and moral motivation does not contribute to the involvement of qualified professionals
- Employees' reports are very formal

# COSO CONTROL ENVIRONMENT AT CHNU

## Perspectives

- The University has the Concept of Development, the Code of Academic Integrity (although only at the Faculty of Law), the Anti-Corruption Regulations
- There is a Supervisory Board at the University
- The University is trying to attract competent professionals
- Employees prepare annual reports on completed tasks

# RISK ASSESSMENT AT CHNU

## Problems

❯ There is no practice for setting the goals of organizations' activities, taking into account the risks that may arise

❯ The University's goals are laid down in the process of writing declarative documents, the provisions of which sometimes do not coincide with reality

❯ The University lacks a unified system for risk identification, assessment and management. This process is episodic and not systematic
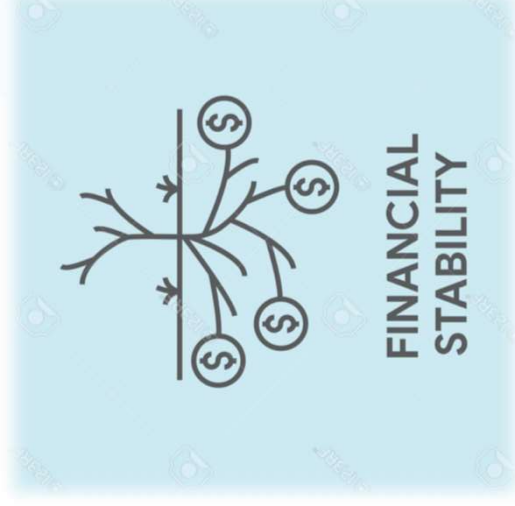
# MAIN STRATEGIC GOALS OF THE UNIVERSITY

**HIGHER EDUCATION A QUEST FOR EXCELLENCE!**

**FINANCIAL STABILITY**

➤ High-quality education and developed scientific research / Integration in the international scientific and educational world

➤ Financial stability
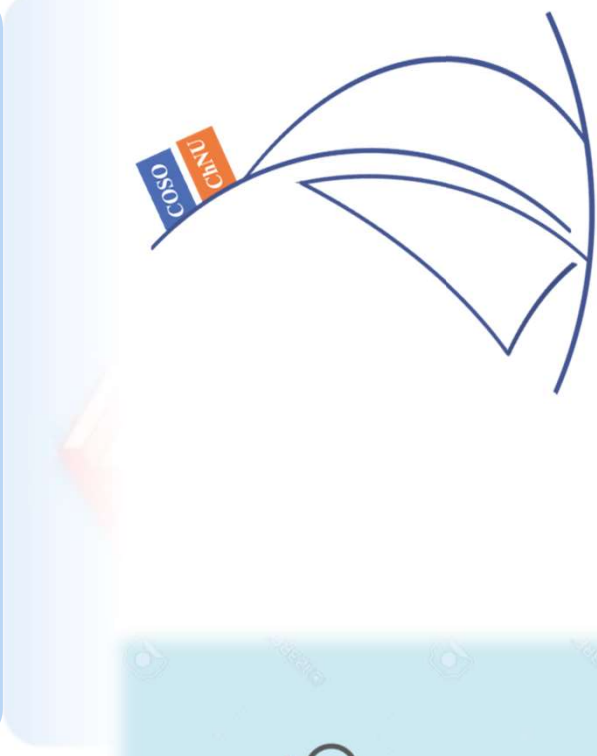
| The most important risks | |
| --- | --- |
| **Strategic risks** | Limited approach to understanding new ideas' implementation |
| | Low level of academic integrity and fraud |
| | Frequent changes in legislation |
| | No university autonomy from government |
| | Lack of internal funds for international mobility |
| **Financial risks** | Lack of a unified pricing methodology for educational services |
| | Inconsistency in the educational services' level and their price |
| | Economic instability in the country |
| | Corruption |
| | Lack of alternative funding sources |
| **Operational risks** | Low level of staff motivation |
| | Lack of necessary material and technical support |
| | Educational program content does not meet "fresh" students' expectations |
| | Unfair competition |
| | High level of bureaucracy |
| **Information risks** | Danger of cyber attacks |
| | Absence of an efficient University information system |
| | Imperfect communication |

# Overall Risk Assessment



- Strategic Risk
- Information Risk
- Operations Risk
- Finance Risk

Impact

Probability
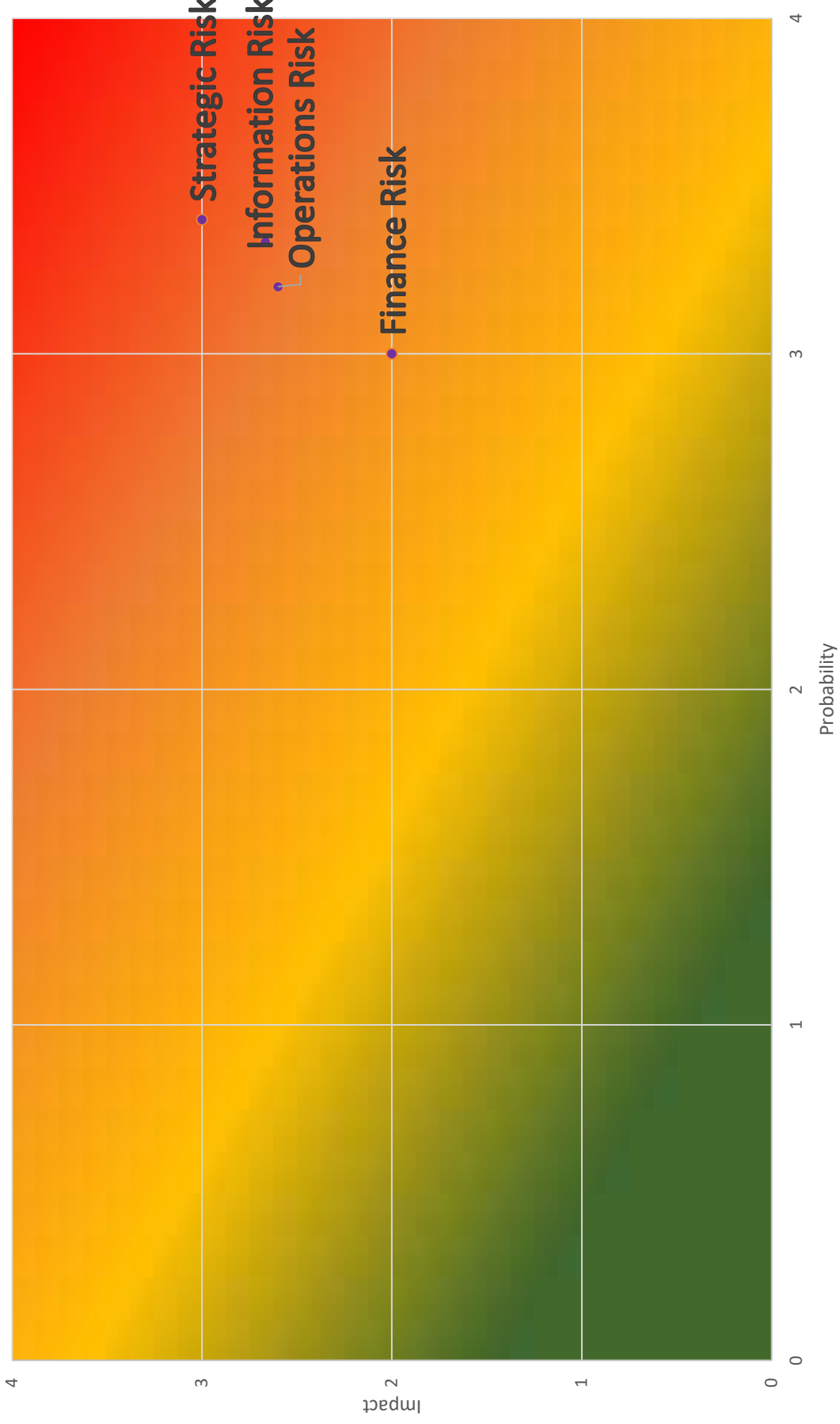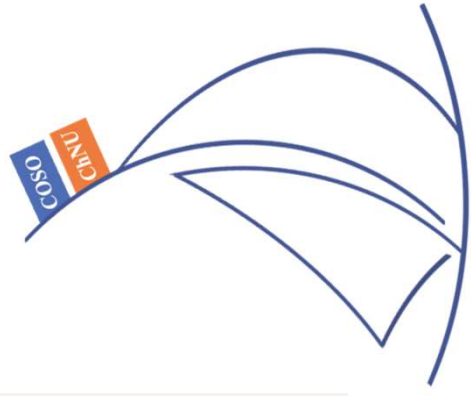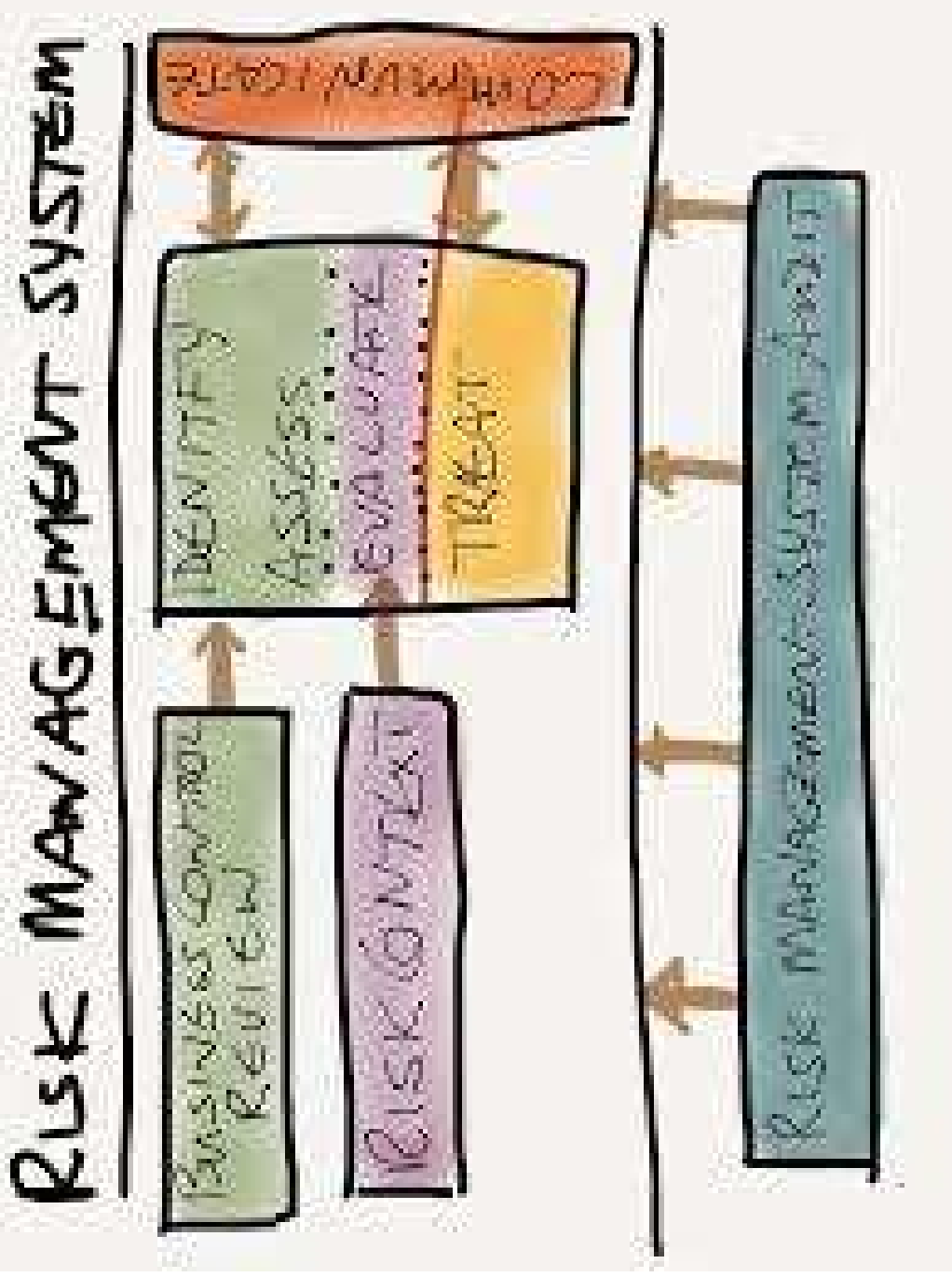
## Deficiencies

✓ A lack of effective communication between faculties and departments

✓ Internal competition between faculties through negative messages

✓ Inaccuracy of information, timeliness, often lack of integrity, distortion of information, feelings of fear or usefulness of the message
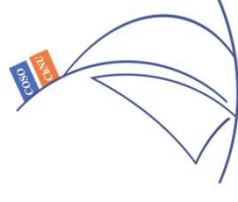
LM5

# INFORMATION AND COMMUNICATION AT CHNU

## ➕ Perspectives / Advantages

- ✓ Collaboration of teachers and students not only in classrooms but also after-hours

- ✓ E-mail, telephone, University site, social networks

- ✓ External communication links with local authorities and stakeholders

- ✓ Own University newspaper

# MONITORING ACTIVITY AT CHNU

## Deficiencies

- Lack of advanced monitoring activities methods
- Staff of the internal audit department carry out the same operations and checks, performing monotonous work
- Monitoring activity is carried out entirely on the basis of legislation, with instructions given "from above"
- Informal character of monitoring
- Lack of motivation from the top management to improve the monitoring activity
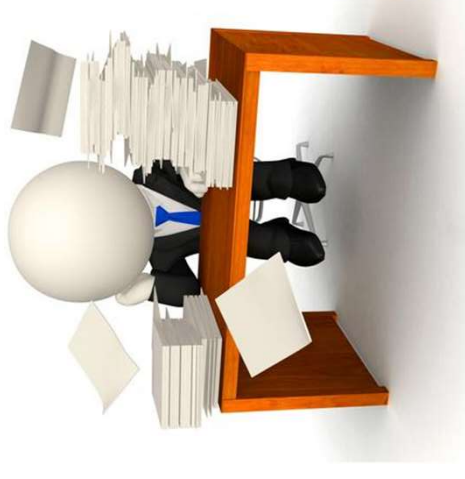
# MONITORING ACTIVITY AT CHNU

## + Advantages

❯ The University carries out an annual inventory and takes relevant actions

❯ All operations with documents are conducted in accordance with the current legislation of Ukraine

❯ Accounting and financial statements are checked by the internal audit department once a quarter

❯ An audit report is produced on the correctness of the preparation of reporting

# Conclusions

> Strategy of University development

> Code of Conduct

> Material and moral motivation of employees

> Review of pricing policy

> Development of PR for the University

> Mechanisms for international projects' co-funding

> "Digital University"