

**Deloitte.**

# University of Glasgow

Internal Audit Update and 2007/08 Annual Report

Audit Committee Meeting

5 November 2008



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# Introduction and Executive Summary

As Internal Auditors, our role is to provide the Audit Committee, University Court and management with independent assurance as to the adequacy and effectiveness of the systems of internal control we review and to report weaknesses identified together with recommendations for improvement. We fulfil this role by performing appropriate audit work as agreed with the Audit Committee. Overall messages for the Audit Committee for the year ended 31 July 2008 are as follows:

- Our Internal Audit reports have identified 125 recommendations across a broad range of subject areas, of which 10% (14 recommendations) have been rated as Priority 1. This ratio has reduced significantly since 2006/07 (24%) and the distribution of Priority 1, 2 and 3 recommendations is more balanced than we have observed in previous years. A reminder of the Priority 1 recommendations is included on page 2.
- Significant improvements have been observed in the Financial processes reviewed and the Audit Committee should take assurance in this area from the work performed by Internal Audit this year (specifically in the areas of bank reconciliations, payroll, procurement and TRAC) and the follow up activity completed by management and corroborated by Internal Audit. This demonstrated that progress has been made on all areas except where significant system developments are needed, for which a comprehensive plan is in place.
- IT Controls continue to be an area of relative weakness and the Audit Committee invited the Director of IT Services to attend the October 2008 meeting and present his plans for current and future projects to address some of the inadequacies noted over the past years. Through the follow up results we were able to confirm that some action had been taken to address the main issues identified but a significant amount of time and resource is still necessary to create a robust environment of internal control around IT.
- The risk management processes have been strengthened this year by a series of risk workshops resulting in risk registers at each of the nine University Faculties, which will be followed up this year with a series of meetings and discussions relating to action planning and risk identification. Our annual strategic risk workshop with members of Senior Management, Court and the Audit Committee was held in September 2008 resulting in a refreshed risk register for management review and action.
- The results of our follow up on previous audit recommendations show that overall 47% of recommendations have now been fully implemented; 36% have been partially implemented and 17% have not yet been implemented. A number of the outstanding issues relate to upgrading of systems within Finance and IT areas.
- Since the last Audit Committee meeting we have finalised our reports on Absence Management, Network Security, the Vet School Risk Workshop and completed Phase 1 of our review of IT Resource Management. Both Absence Management and IT Network Security include Priority 1 recommendations. Results are summarised on pages 6-9. There are three reviews on the 2007/08 plan which are in the process of being finalised or deferred by management until 2008/20 and these are described on page 10.
- The Audit Committee requested a review of effectiveness compared to the requirements contained in the CUC Handbook. We have completed an initial review and high level results are included on pages 11-12. To strengthen this assessment we would propose to consolidate the opinions of Audit Committee members through a self-assessment exercise.

# Priority One Recommendations

The 14 Priority One recommendations raised during 2007/08 are summarised as follows:

<b>Absence Management</b>	There is a lack of central management and oversight of absence levels and statistics, which should be reported regularly to HR Managers for review and challenge with their respective Faculties and Departments.
	There is a lack of management reporting and awareness of absence levels. A regular report on absence data should be submitted to the HR Committee.
	A low level of compliance was noted with the requirement for departments to return details of staff absence to Payroll, indicating that system data is inaccurate. This should be monitored and reviewed regularly.
<b>Staff Development Service</b>	There are three University departments with responsibility for staff training and development, however there is little communication, interaction or knowledge sharing between these departments resulting in a potentially inefficient use of resource.
	The database used by the Staff Development Service is of limited use due to inaccurate data, out of date functionality and limited reporting capabilities.
<b>Business Continuity Management</b>	Business Recovery Plans at Faculties and Departments were generally found to be low in quality and in some cases did not exist. Policies and suitable generic templates should be developed to be rolled out across the University.
	The Business Continuity Plans that exist have not been subject to testing or regular review to ensure these are adequate. This requirement should be built in to policies and procedures around Business Continuity Management.
<b>Fundraising and Donations</b>	Financial reporting for the University Trust is completed by extracting information from the donations database and an additional spreadsheet maintained of income and expenditure. There are a number of control issues associated with recording financial transactions on a spreadsheet including access rights and ability to change historic data. This function would be better served by a proper chart of accounts.
	The accounting and corporation tax effect of routing all donation income through the University Trust (a separate legal entity) while the costs are borne by the University should be reviewed and assessed. We understand this has now been completed by an external consultant and management await results.
<b>Payroll</b>	A clear policy and guidance should be introduced for additional payments to staff, by defining exactly when these are acceptable and the requirement for authorisation. Such payments should be regularly reviewed by Payroll to ensure compliance.
	While improvements were noted this year on the process for managing overpayments there is still a need to introduce a monthly review in order to identify and address overpayments in a timely manner.
<b>RAE</b>	The use of the Student Records System is inconsistent throughout the University resulting in a lack of one central repository of student data. Compilation of the RAE required representatives from local departments with access to local records and highlighted the lack of one consistent method of retaining student data.
<b>International Student Recruitment</b>	There is no comprehensive target setting process within the International and Postgraduate Service to drive international student recruitment. Targets should be set for each geographical area and reconciled to the targets prepared by Faculties to identify any shortfalls. Progress against targets should be monitored regularly.
<b>Network Security</b>	A large number of Administrator accounts were noted on the Novell Netware environment which should be reviewed to ensure this is appropriately restricted.

# Annual Internal Audit Report

## Report to the Audit Committee

As Internal Auditors we are required to provide the Audit Committee with an Annual Internal Audit Report. The University Court and its management are responsible for ensuring that a system of control, financial and otherwise, is established and maintained. This is in order to carry on the operations of the University in an orderly and efficient manner, to ensure adherence to management policies, to safeguard the assets, and to secure, as far as possible, the completeness and accuracy of records. Our responsibility as internal auditors is to evaluate significant systems and associated internal controls and to report to the Audit Committee on the adequacy of such controls and systems. We cannot examine the whole system of controls, financial or otherwise, nor is Internal Audit a substitute for management's responsibility to maintain adequate systems of internal control over financial and operational systems.

In considering our assessment of the framework of controls we have taken the following into consideration:

- results of audits undertaken during the year;
- follow up action taken in respect of previous year's audit work;
- our perception of the extent of risk and control awareness amongst the staff and management of University of Glasgow.

*On the basis of work undertaken for the year ended 31 July 2008 we consider that University of Glasgow generally has an adequate framework of control over the systems we examined as summarised on page 4 (subject to implementation of the recommendations). In providing such an assessment we would draw to your attention our summary findings as presented in our individual reports issued throughout the year and particularly the Priority One recommendations.*

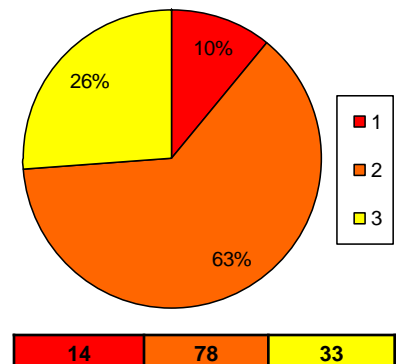
We take responsibility for this report, which has been prepared on the basis of the limitations set out on page 14.

# Overall Activity Summary

The following table provides a summary of the work we have undertaken in respect of the plan for 2007/08.

Project Title	Status / Timing	Budget (days)	Days to date
2007/08			
Review of Library Procurement	Complete	15	15
Review of Expenditure Queries	Complete	5	5
Review of RAE (Pre-Audit)	Complete	20	23
Review of Staff Development Service	Complete	10	11
Review of Fundraising and Donations	Complete	15	19
Review of International Student Recruitment	Complete	15	14.5
Key Financial Control Testing – Payroll	Complete	10	9
Payroll Investigation (additional request)	Complete	0	8
Review of DPA Processes & Records Management	Complete	10	10
Review of Heritage Asset Management	Complete	10	10
Review of TRAC Compliance	Complete	15	14
Key Financial Control Testing – Tendering	Complete	10	10
Review of Space Management	Complete	10	10
Review of Capital Projects - Small Animal Hospital	Complete	15	14
Review of Capital Projects - The Hub	Complete	15	15
Key Financial Controls Testing – Bank Reconciliations	Complete	10	10
Review of IT Project Management	Complete	15	15.5
Review of Business Continuity Management	Complete	15	15
Review of Absence Management	Complete	10	11
Review of IT and Network Security	Complete	15	15
Review of Strategic Performance Management	Fieldwork Complete	10	10
Review of IT Resource and Management	Stage One Complete	15	6
Review of Purchase to Pay Implementation	Delayed until November 2008	15	2
IT Data Handling	Delayed until December 2008	15	3
Follow Up	Complete	20	19
Risk Management - Faculty Workshops	Complete	30	31
Risk Management - IT Workshop	Complete	5	5
2007/08 Plan Development	Complete	10	11
Contract Management Time	Complete	25	31
Audit Committee	Complete	15	17
		<b>400</b>	<b>389</b>

Recommendations		
Priority 1	Priority 2	Priority 3
-	3	2
-	-	-
1	5	2
2	4	3
2	4	2
1	5	1
2	3	-
-	-	-
-	6	1
-	4	2
-	3	5
-	6	-
-	10	3
-	7	3
-	1	1
-	4	2
2	3	-
3	2	4
1	8	2



# Project by Project Summary

A summary of the projects which have been undertaken since the last meeting is outlined on the following pages. Where applicable, the 'temperature gauge' is intended to provide Audit Committee members with a relative feel for the impact and overall importance of the findings of each project.

	Positive control environment - very few control gaps or weaknesses noted
	Minor control gaps and weaknesses identified
	Control gaps and weaknesses identified which must be addressed but no critical or material issues
	Important control gaps or weaknesses identified - an important report for Audit Committee attention
	Fundamental control breakdown - a critical report for Audit Committee attention

# Project by Project Summary

## Absence Management



We completed a review of the adequacy of systems and procedures in place to record, monitor and evaluate unplanned or unauthorised staff absence, including long and short term sickness, other types of absence or persistent lateness. Policies and guidance in this area are produced by the HR department, with responsibility for compliance resting with individual line managers throughout the University. Effective absence management helps to manage the risks associated with staff motivation and development as well as the financial benefits that come from a robust system and approach. Research shows that the education sector in 2007 reported an average cost of absence of £733 per employee per year.

The University participates in a UK sector wide benchmarking exercise each year and the results of this show that Glasgow University has equal to or better than average results for the number of working days lost per employee (5.6 days compared to sector average of 6.5) and the average length of absence (5.3 days, equal to the sector average). The results show a higher than average percentage of long term absence (48.5% compared to sector average of 39%).

The results of our review concluded that while there are policies and guidance in place, there is not a high rate of compliance with these and there are limited monitoring tools to ensure absence data is accurate and policies are consistently applied across the University. There is also a lack of oversight by the HR Committee on the levels of absence.

We have raised three recommendations at Priority One, as follows:

- While responsibility for managing absence is rightly devolved to line managers, the HR department should regularly run and review statistics on levels of absence per department and challenge the action taken by line managers in response to this. This would help ensure data on absence is accurate and that action taken by line managers is in line with University guidance.
- There is currently no management information on absence generated for review by the Senior Management Group or the HR Committee. HR Management have indicated that this information has been requested and KPI-style reporting is currently in development in preparation for reporting to the University Court via the HR Committee.
- Each department is required to submit a monthly return to Payroll detailing the staff members who have been absent, to facilitate updating on the Payroll system. Our testing of these returns over 4 months identified that 38% of expected returns were not submitted; 42% of those submitted were over a week late; and 10% of those submitted were not authorised. These results strongly suggest that the data held on absence is incorrect, and a process should be initiated within Payroll to check that the required returns are submitted each month. A longer term solution to replace the current manual process with a web based tool should be explored.

Our Priority Two and Three recommendations relate to the need to update and ensure compliance with policies and procedures in specific areas; as well as addressing data issues within the system (including errors with the absence codes and the dates of absence).

Our recommendations were rated as follows:

Priority	CW	PI	Total
1	2	1	3
2	1	1	2
3	4	-	4

CW = Control Weakness

PI = Process Improvement



# Project by Project Summary

## Network Security



Our work on Network Security commenced in 2007 with a review of central services and a small sample of two Departments. This current review had a broader scope to consider the network security arrangements in place at a further sample of five Departments. The five Departments reviewed were Chemistry, Psychology, Mechanical & Aeronautical Engineering, Civil Engineering and Electrical Engineering, and were selected because they are known to manage their own IT Services.

A number of control weaknesses were observed within the Departments reviewed which could result in inappropriate access to University systems and data. The one recommendation rated Priority One relates to the numbers of Administrator Accounts where members of staff have full access to create and amend user accounts, access any information contained on the network, or amend/delete audit trails. They appear excessive based on the size of the IT teams and should be reviewed.

Further Priority Two issues were noted in the following areas:

- Password controls were found to be below good practice minimum standards in a number of areas, considering the length and complexity of the passwords and the settings to enforce regular changes and lockouts on failed attempts.
- A lack of formal policies and procedures was noted relating to user administration (for adding, removing or amending access) and no formal periodic reviews of access rights were found to be completed by any of the Departments reviewed.
- A central vulnerability scanning service provides distributed IT staff with detailed reports of potentially vulnerable systems in their area of responsibility. In addition, centrally supported early warning systems detect compromised systems and these are treated as security incidents in accordance with the University's Incident handling policy. This service is inconsistently used as some departments run their own scanning tools. No unified formal process is in place to ensure that identified issues are followed up and resolved on a timely basis.
- The Information Security Policy was found to be out of date (last updated 2004).
- While improvements have been noted in the change control projects for major upgrades and changes (eg server updates) there is no similar process for smaller changes including approval, testing and regular patching.
- Regular management reporting should be run to enable monitoring of the level of anti-virus protection on University PCs.
- No assessment has been undertaken within the Departments reviewed of the vulnerabilities and risks associated with the IT assets. Guidance should be provided to assist Departments with this exercise.
- Physical access and environmental controls in the server rooms within the Departments reviewed were found to be lacking in some areas, specifically a lack of fire suppression systems, lack of humidity or temperature monitoring and some areas with no uninterrupted power supplies.

Our recommendations were rated as follows:

Priority	CW	PI	Total
1	1	-	1
2	7	1	8
3	1	1	2

CW = Control Weakness

PI = Process Improvement

# Project by Project Summary

## Veterinary Medicine Risk Workshop

We completed the last of our Faculty risk workshops in October 2008 at the Faculty of Veterinary Medicine. This Faculty have historically managed their own risk register developed in-house and so the management team were familiar with the concept of risk management and contributed to a useful session.

The following risks were rated as top 20 by the Faculty, showing a high concentration of HR (7) and Finance (7) risks in the top 20.

#	Category	Risk	Impact	Likelihood	Significance
1	Human Resources	The risk that we are unable to attract and retain appropriately qualified and experienced staff.	7.7	7.3	56.2
2	Finance	The risk that funding to support the maintenance of existing buildings is insufficient.	6.3	7.6	47.9
3	Human Resources	The risk that our good quality staff are head hunted by our competitors.	6.9	6.9	47.6
4	Finance	The risk that costs exceed income.	7.4	6.1	45.1
5	Research	The risk that we are unable to maintain and increase current levels of research income.	7.4	6.1	45.1
6	Human Resources	The risk that there is low morale and poor performance causing low productivity and high stress.	6.9	6.5	44.9
7	Finance	The risk that investment by the University in other areas reduces funding for our faculty.	6.5	6.7	43.6
8	Finance	The risk that there is insufficient capital spend on advancing technology.	6.1	7	42.7
9	Finance	The risk that there is a potential loss of clinical commercial income if referring vets select a different provider to SAH and Weipers.	7.8	5.4	42.1
10	Infrastructure	The risk that our teaching facilities do not match up to our competitors.	6.6	6.3	41.6
11	Research	The risk that teaching and admin burdens reduce the research time of staff.	5.8	7	40.6
12	Finance	The risk that funding from the SFC is reduced or diverted elsewhere.	7.3	5.4	39.4
13	Finance	The risk that income generation targets are not met.	6.9	5.7	39.3
14	Human Resources	The risk that high levels of staff absence or departure mean that there is a system or process break down.	7.1	5.5	39.1
15	Human Resources	The risk that sufficient remedial action is not taken against poor performance.	5.9	6.6	38.9
16	Learning & Teaching	The risk that there is a reduced level of government support/lack of increased support for veterinary education and related public issues.	7.3	5.3	38.7
17	Learning & Teaching	The risk that we are unable to maintain and increase current levels of overseas student fee income.	7.1	5.3	37.6
18	Human Resources	The risk that there is insufficient advanced succession planning and/or we are unable to achieve appropriate mix of new and 'home grown' staff.	6.3	5.9	37.2
19	Human Resources	The risk that performance appraisals do not sufficiently capture strengths and weaknesses.	5.7	6.4	36.5
20	Infrastructure	The risk that there are sub-optimal processes and communication leading to higher costs to run the business.	6.5	5.6	36.4

# Project by Project Summary

## ***IT Resource Management (Phase 1)***

The aim of our review of IT Resource Management was to understand and evaluate the resources (people and systems primarily) in place across the University, including in particular those outwith the central IT Services (ITS). We have conducted an initial evaluation in consultation with members of the central IT Services team, resulting in the following interim conclusions:

### **Application Systems:**

There are a large volume of IT applications that are supported by central ITS, with an initial count of 63 applications. Throughout the Faculties and Departments, however, there are at least 16 further applications plus a variety of Access databases that are developed, managed and supported by the Faculty or Department personnel. The main areas identified where systems and applications exist that are not supported by ITS are the Library, Accommodation, Museum, Medical Faculty, IBLS, and Faculty of Education.

### **Use of Core Services:**

The services provided by ITS are used to a greater or lesser extent throughout the Faculties, for example some services have a 100% take up rate including the internet access, video conferencing facilities and e-learning systems. For other services there are notable exceptions or a variable take up rate. The main exceptions include the Department of Computing Science, Department of Forensic Medicine and Department of Physics & Astronomy. In these departments much of the network support, desktop support, email services and general IT infrastructure are managed locally instead of making use of centrally provided services. In some cases there are historic reasons for this, and in others there appears to be a lack of trust that central ITS can provide an adequate service.

### **Staff Resource:**

The Faculties and Departments have local staff with IT responsibilities. The technical network and infrastructure staff (outwith ITS) total approximately 53.5 as follows:

Faculty	FBLS	Vet	Clin Med	Arts	LBSS	Education	Engineering	FIMS	Phys Sci	Uni Services	TOTAL
IT Support Staff (count)	3	3	2	5	4.5	5	9	11	7	4	53.5

The staff resource noted above does not include support for locally managed systems and applications, and an initial count of these would indicate there may be at least a further 28 members of staff with responsibility for maintaining and supporting local systems and developing local web services.

In order to continue this review and provide an accurate picture of IT resource at Faculty and Department level, we intend to select a sample of Departments (based on the exceptions noted during our initial analysis) and discuss their current needs and resources for IT support.

# 2007/08 Plan Completion

Within the 2007/08 plan there is one review currently being finalised and two reviews where fieldwork has been deferred to allow internal projects to take effect prior to the review. These are summarised as follows:

## **Review of Strategic Performance Management**

The fieldwork for this review is complete and report in progress. The aim of the review was to assess the adequacy of the new system of KPI reporting to the University Court within the areas of Learning & Teaching, Research, Finance, Estates and HR. The review involved discussions with senior staff in each of these areas and review of the documentation produced or plans underway for cyclical reporting of KPIs to Court. The results to date are broadly satisfactory and we do not intend to raise any Priority One recommendations in this report which would affect the Audit Committee's overall assessment of internal control for 2007/08.

## **Review of Purchase to Pay**

Our review of the new system for Purchase to Pay will commence at the end of November 2008. This delay was requested by management to allow the new process to be fully rolled out and embedded in order to maximise the value of an audit of this area. We agreed that this was a reasonable approach.

## **Review of IT Data Handling**

Due to staffing changes in the DPA Office, this review has been postponed. We met with the Data Protection Officer prior to his retirement to discuss this review. Since the University data handling methodology is currently being reviewed by the Data Protection Office, we intend to complete this review in two phases, by carrying out an interim assessment in December 2008 and a further review in 2008/09 once the new methodology is operational.

# Audit Committee Effectiveness

During the Audit Committee meeting in May 2008, the Committee expressed an interest in conducting an evaluation of effectiveness compared to the requirements of the CUC handbook issued in February 2008.

We have conducted our initial evaluation based on our observations of the working practices of the Audit Committee and our observations of Audit Committees from other organisations.

At a high level our initial conclusions are as follows:

Area	Observations	Recommendations
A) Creating an effective Audit Committee	<p>The composition and experience of the Audit Committee appears to be satisfactory and the range of backgrounds and experience contribute to a meaningful challenge to University management.</p> <p>We do note limited crossover membership between Court and the Audit Committee which can impact overall awareness.</p> <p>The terms of reference is not reviewed annually.</p>	<ul style="list-style-type: none"> <li>Annual review of Terms of Reference.</li> </ul>
B) Running and effective Audit Committee	<p>The dynamics of the Audit Committee and its relationships with attendees (management and audit) appear satisfactory. The administrative support for the Audit Committee is efficient and effective.</p> <p>In some cases the Audit Committee may benefit from increased clarity over its responsibilities in particular for review or approval of University policies and procedures.</p>	<ul style="list-style-type: none"> <li>Development of schedule of responsibilities or formal work plan.</li> </ul>
C) Professional development	<p>The Audit Committee, during updates from management and audit, receive professional development relating to regulatory and accounting changes. There are a opportunities throughout the year for the Audit Committee Chair to network with other Audit Committee Chairs.</p> <p>The Audit Committee members may benefit from increased training/induction of a professional development nature.</p>	<ul style="list-style-type: none"> <li>Consider the adequacy of current training and development mechanisms.</li> </ul>
D) Overseeing financial reporting	<p>The Audit Committee exercises a critical review of the Financial Statements.</p>	<ul style="list-style-type: none"> <li>None</li> </ul>

# Audit Committee Effectiveness

Area	Observations	Recommendations
E) Overseeing governance, risk management and internal control	Recent improvements to the Risk Management procedures within the University have increased the transparency to allow a review of identified risks by the Audit Committee.  The opportunity to further influence the University Court should increase by the appointment of new Audit Committee members from Court and the dual role of the new Audit Committee Chair on Court.	<ul style="list-style-type: none"> <li>• None</li> </ul>
F) Overseeing value for money	Considered fully in discussions with management and auditors.	<ul style="list-style-type: none"> <li>• None</li> </ul>
G) Overseeing external audit	External audit plans and reports are fully reviewed by the Audit Committee each year.	<ul style="list-style-type: none"> <li>• None</li> </ul>
H) Overseeing internal audit	Progress reports from Internal Audit are reviewed at every meeting of the Audit Committee and results discussed. Internal Audit meet regularly with the Audit Committee Chair.	<ul style="list-style-type: none"> <li>• None</li> </ul>

Within the areas noted above, individual members of the Audit Committee may feel that more action could be taken to strengthen the effectiveness of the Audit Committee. A core element of the CUC Guidance is self assessment and a checklist is included in the CUC Guidance which ideally should be completed every 3-5 years in full, with an annual discussion of effectiveness completed in the interim years.

The full CUC guidance (including the self assessment checklist) can be downloaded from [http://www.hefce.ac.uk/pubs/hefce/2008/08\\_06/](http://www.hefce.ac.uk/pubs/hefce/2008/08_06/) and the self assessment checklist is also included at **Appendix A** to this paper.

We have facilitated Audit Committee self assessment with a number of other organisations by either:

- Holding a workshop with members of the Audit Committee to discuss and evaluate effectiveness
- Collating responses to the questionnaire and holding individual meetings with members to discuss opinions, and consolidating this into an action plan.

We would propose to ask each member of the Audit Committee to complete the self assessment and we will consolidate the results and present the combined view to the next meeting of the Audit Committee.

# Internal Audit Plan 2008/09

Our strategy for Internal Audit in 2008/09 was presented to the last meeting of the Audit Committee. Since then we have adapted the plan slightly to account for the decision to reduce the focus on IT activities and re-focus some of this effort on other support areas, primarily Estates maintenance. The revised project plan for 2008/09 is shown below:

PROCESS AREA		%	DAYS	PROJECT TITLES	DAYS
PLANNING AND STRATEGY		4%	15	Review of Faculty Strategic and Operational Planning	15
BRAND AND MARKETING		3%	10	Review of Marketing Strategy	10
CORE OPERATIONS		11%	45	Review of Course Approval Procedures	15
				Review of Commercialisation	15
				Review of e-Learning	15
OPERATIONAL SUPPORT PROCESSES		16%	65	Review of Catering	15
				Review of Sports and Recreation Services	15
				Review of Performance and Development Review Process	15
				Review of Registration	20
OTHER SUPPORT PROCESSES	FINANCIAL MANAGEMENT PROCESSES	30%	119	Review of Key Financial Controls	24
				Review of PAYE Compliance	10
				Review of Commercial Pricing	25
	INFORMATION AND TECHNOLOGY RISK			Review of Data Handling	10
	OTHER SUPPORT PROCESSES			Review of Key Application Management	15
				Review of Insurance Management Arrangements	10
				Review of Pension Scheme Administration	10
Review of Estates Maintenance		15			
LEGAL, REGULATORY AND RISK MANAGEMENT		8%	31	Organisational Risk Workshop	8
				Faculty Action Planning & Risk Register Updates	18
				Facilitation of Audit Committee Effectiveness Review	5
KEY BUSINESS AND SYSTEMS CHANGE		5%	20	Review of Student Support Services	20
EXTERNAL RELATIONSHIPS		6%	25	Review of Corporate Communications	10
				Review of External Partnerships - Degree Validation	15
FOLLOW UP		5%	20	Follow Up on Outstanding Action Points	20
AUDIT COMMITTEE AND ENGAGEMENT MANAGEMENT		10%	40	Audit Committee Preparation and Attendance	20
				Client Liaison and General Contract Management	20
INTERNAL AUDIT PLANNING		3%	10	Annual Internal Audit Planning	10
		<b>100%</b>	<b>400</b>		<b>400</b>

# Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

Deloitte & Touche LLP  
Glasgow  
October 2008

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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# Appendix A – Audit Committee Self Assessment Checklist

*The following pages contain the 'Assessment of the Audit Committee' checklist extracted from the CUC Handbook (2008).*

This self-assessment has been prepared for audit committees in the higher education sector. It is intended that each audit committee member will complete it independently. The assessment exercise could be carried out at a special meeting of the audit committee or at some form of away-day.

The audit committee chair or an external facilitator should, after collating the responses, lead a discussion on the key points arising from the questionnaire and feed back any matters of interest, focusing on those areas which clearly need improvement or where there is great variation in answers. When using a facilitator, care needs to be taken if this person is in some way conflicted because of the closeness of his or her relationship with the audit committee; for example, a degree of circularity is involved in using internal or external auditors, as the audit committee has a responsibility to review the auditors' performance.

The results of the self-assessment and any action plans arising should be reported to the governing body after discussion with the chair of the governing body.

Audit committee chairs may wish to tailor this checklist to the specific circumstances of their institution, giving more weight to some aspects of the self-assessment than others. Appropriate weighting will be influenced by a number of factors including, but not limited to:

- the committee's terms of reference
- the institution's strategies and risk assessments
- the institution's risk and control environment
- the outcomes of previous self-assessments
- the stage of maturity of the audit committee
- the views of stakeholders on the institution's corporate governance performance
- current and emerging trends and factors.

Audit committee chairs may wish to adapt the questionnaire such that the full version is carried out on a cyclical basis, say every three to five years. In the intervening years, they may choose to evaluate the committee's effectiveness by means of a general discussion around the audit committee table, or by using a curtailed form of the questionnaire.

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