
UHI Millennium Institute

Internal Audit Annual Report

December 2007

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Introduction

As Internal Auditors, our role is to provide the Audit Committee, Board 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 in accordance with the annual internal audit plan approved by the Audit Committee.

This annual report summarises the overall results of our internal audit work programme undertaken in respect of the financial year ended 31 July 2007. We have presented our Annual Internal Audit Statement on page 3.

In terms of overall progress we can confirm that all fieldwork has been completed in accordance with the agreed audit programme with the exception of our reviews on Academic Partner Agreements and Workforce Planning. Due to the re-structuring of the risk management process, we were unable to undertake an assessment of operating effectiveness, instead focusing on design effectiveness.

Results of Work Undertaken at 15th November 2007

A summary of the results of each of our projects during the year is outlined below.

UHI Internal Audit Operational Plan 2006/07							
PROCESS AREA		Status / Timing	Budgeted Input	Actual Input	Recommendations by priority		
					1	2	3
Strategy and Planning	AP Agreements	Deferred	7		-	-	-
Other Support Processes	Workforce Planning	Deferred	5	1	-	-	-
	Student Registration System	Final Report Issued	10	14	0	1	2
	Marketing	Final Report Issued	10	10	0	3	3
Financial Management Processes	Budgetary Control & Financial Planning	Final Report Issued	10	10	0	0	4
	Key Financial Control Assessment	Final Report Issued	4	4	0	2	3
Managing Risk of Key Business & Systems Change	Risk Management	Fieldwork complete	5	4	-	-	-
Legal, Regulatory and Business Risk Management	TRAC Review	Final Report Issued	5	5	0	0	4
	Health and Safety	Final Report Issued	5	5	1	5	3
	Policy Management	Final Report Issued	5	5	0	4	0
IT Risk	IT Security	Final Report Issued	5	5	0	2	0
Follow Up	Follow-Up on Prior Year Recommendations	Fieldwork complete	5	3	-	-	-
Contract Management	IA Contract Management	Ongoing	5	7	-	-	-
	Audit Planning & Risk Assessment	Ongoing	1	1	-	-	-
	Audit Committee Planning and Attendance	Ongoing	3	3	-	-	-
Total Input Days			85	77	1	17	19

2006/07 Reviews

In 2006/07, the UHIMI internal audits covered a range of financial and operational areas, in line with the development of the organisation and with the key regulatory requirements of the sector. Accordingly, we have undertaken audits of the risk management system, marketing function and policy management systems. In response to regulatory and reporting requirements, we have also undertaken audits of the HESA returns driven by the student registration system, and of the compliance of UHI with the TRAC requirements. Our internal audit of risk management has been completed, and results reported to management. Whilst the report was being finalised at the time of this report, the findings are not expected to affect our statement provided on page 3, subject to the implementation of our recommendations.

37 recommendations were raised across our reviews, with 1 recommendation being categorised as a priority 1, 17 recommendations classed as priority two and 19 being classed as priority three.

Priority One Recommendation

One priority one recommendation was raised during 2006/07. This was in relation to our internal audit of Health and Safety procedures. At the time of our audit, UHI had not undertaken a full health and safety risk assessment of the Executive Office.

Annual Statement to the Audit Committee

Report to the Audit Committee

As Internal Auditors, we are required to provide the Audit Committee with an Annual Internal Audit statement. The UHI Millennium Institute 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 UHIMI 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 processes 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 or operational systems.

The number and priority of the recommendations that we raised during the year are summarised on page 2.

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

- all audits undertaken during the year
- the balance of probity work against review of management arrangements and value for money work
- our perception of the extent of 'control awareness' amongst staff.

On the basis of work undertaken in the year ended 31 July 2007 we consider that UHI Millennium Institute generally has an adequate framework of control over the systems we examined as summarised on page 2 (subject to implementation of the recommendations). In providing such an opinion we would draw to your attention our summary findings as presented in our individual reports issued throughout the year.

We take responsibility for this report, which has been prepared on the basis of the limitations set out on page 4.

Statement of Responsibility

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

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.

Deloitte and Touche LLP

December 2007

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