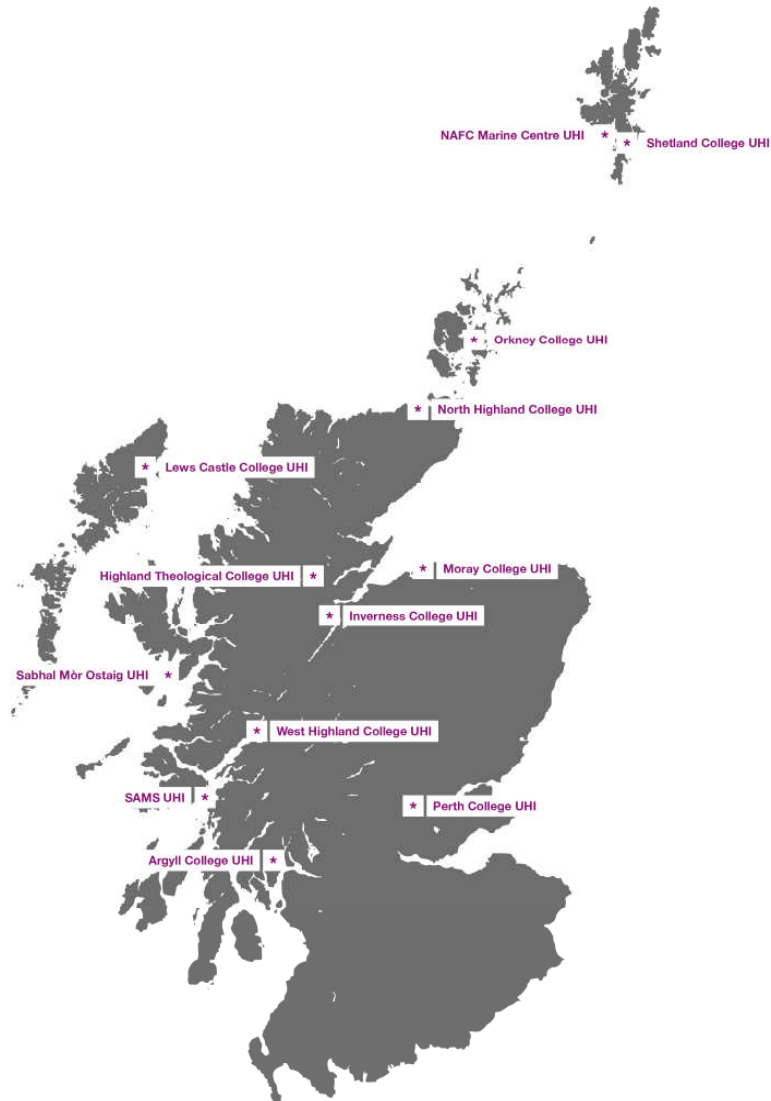




University of the  
Highlands and Islands  
Oilthigh na Gàidhealtachd  
agus nan Eilean



**University of the Highlands and Islands  
Internal Audit Service**

**Annual Internal Audit Report 2010/11**

**29/08/2011**

# Internal Audit Annual Report 2010/11

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# Annual Internal Audit Report

**2010/11**

## **1. Introduction**

- 1.1. The UHI Millennium Institute was awarded university title on the 2 of February 2011 and became the University of Highlands and Islands (UHI). For the purposes of this report reference to the UHI Millennium Institute has been superseded by the use of University of the Highlands and Islands. This also applies when referencing the Board of Governors which is now referred to as Court. The Principal was also appointed Principal and Vice Chancellor on award of university title.
- 1.2. UHI recruited an in-house Internal Auditor and established a Co-Sourced Internal Audit Service with Henderson Loggie Chartered Accountants in February 2009. This Annual Internal Audit Report provides a summary of the Internal Audit Service's activities since the 1<sup>st</sup> August 2010 for the financial year 2010/11.
- 1.3. The Internal Audit Terms of Reference require the UHI Internal Auditor to give an annual opinion to Court and Principal and Vice Chancellor, through the Audit Committee, on the adequacy and effectiveness of UHI's arrangements for:
  - risk management, control and governance; and for
  - economy, efficiency and effectiveness (value for money)
- 1.4. The opinion is provided in section 7 of this report.

## **2. Responsibilities for Risk Management, Control, Governance and Value for Money**

- 2.1. Within the University of the Highlands and Islands, responsibility for risk management, control and governance arrangements and the achievement of value for money rests with Court and management, who should ensure that appropriate and adequate arrangements exist without reliance on the UHI Internal Audit Service. The UHI Internal Audit Service has no executive role, nor does it have any responsibility for the development, implementation or operation of systems.

## **3. Role of Internal Audit**

- 3.1. The UHI Internal Audit Service is responsible for providing an objective, independent appraisal of all the University of the Highlands and Islands activities, financial and otherwise. It provides a service to the whole organisation, including Court and all levels of management. It is not an extension of, nor a substitute for, good management, although it can have a role in advising management. The Internal Audit Service is responsible for evaluating and reporting to the University of the Highlands and Islands Court and the Principal and Vice Chancellor, through the Audit Committee, thereby providing them with assurance on the arrangements for risk management, control, governance and value for money. It remains the duty of management, not the internal auditor, to operate these arrangements.

- 3.2. The UHI Internal Auditor is required to give an annual opinion to Court and the Principal and Vice Chancellor, through the Audit Committee, on the adequacy and effectiveness of the arrangements for risk management, control and governance and for economy, efficiency and effectiveness (value for money) within UHI, and the extent to which Court can rely on these.

### **3.3. Independence**

- 3.4. The Internal Audit Service has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. The UHI Internal Auditor, subject to any guidance from the Audit Committee is solely responsible for the management and development of the University of the Highlands and Islands co-sourced Internal Audit Service.
- 3.5. For day-to-day administrative purposes only, the UHI Internal Auditor reports to the UHI Principal and Vice Chancellor. The UHI Internal Auditor also has right of access to the UHI Principal and Vice Chancellor.
- 3.6. The Institute of Internal Auditors International Standards for the Professional Practice of Auditing state that "internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results".
- 3.7. Where there are differences of opinion between Internal Audit and management, Court (on the advice of the Audit Committee) should ultimately determine whether or not to accept audit recommendations, recognise and accept the risks of not taking action, and instruct management to implement recommendations.

## **4. Performance against the Internal Audit Plan**

- 4.1. The University of the Highlands and Islands Internal Audit plan for 2010/11 plan was prepared using a planning methodology in line with the Scottish Funding Council (SFC) guidance and current best practice from the Committee of University Chairmen (CUC), Institute of Internal Auditors (IIA), Higher Education Funding Council for England (HEFCE), the Council of Higher Education Internal Auditors (CHEIA) and also in the context of UHI's risk management infrastructure.
- 4.2. The Internal Audit Planning Methodology and proposed Internal Audit Plans were discussed and reviewed by the External Auditor who was of the opinion that the Internal Audit Plan and the associated methodology were of a good standard and in line with best practice, and were clearly risk based.
- 4.3. The Audit Committee approved the Internal Audit Plan for 2010/11 at its meeting on the 22 June 2010. Nine out of the twelve planned internal audits have been completed. One audit is still being progressed. The IT Network Vulnerability Test required significantly more time than initially anticipated with the results of the first test requiring a further detailed follow up to be carried out. This has therefore, compromised the ability to deliver all the planned audits within the agreed timescale. The audit scheduled for academic partner interfaces is to be undertaken as part of the 2011/12 internal audit plan.

**Audit Plan 2010/11**

**Progress to date**

1. IT Network Vulnerability Test	<ul style="list-style-type: none"> <li>• Reported to Audit Committee 24 Nov 2010</li> </ul>
2. IT Network Vulnerability - Test Follow Up	<ul style="list-style-type: none"> <li>• Reported to Audit Committee 05 September 2011</li> </ul>
3. Student retention and management of withdrawals	<ul style="list-style-type: none"> <li>• Reported to Audit Committee 15 Feb 2011</li> </ul>
4. Health and Safety	<ul style="list-style-type: none"> <li>• Reported to Audit Committee 15 Feb 2011</li> </ul>
5. Procurement	<ul style="list-style-type: none"> <li>• Reported to Audit Committee 18 May 2011</li> </ul>
6. Project Management- methodology, practices and management	<ul style="list-style-type: none"> <li>• Reported to Audit Committee 18 May 2011</li> </ul>
7. Compliance with Equalities Legislation	<ul style="list-style-type: none"> <li>• Reported to Audit Committee 05 September 2011</li> </ul>
8. Strategic Planning	<ul style="list-style-type: none"> <li>• Reported to Audit Committee 05 September 2011</li> </ul>
9. Risk Management	<ul style="list-style-type: none"> <li>• Reported to Audit Committee 05 September 2011</li> </ul>
10. Department of Diabetes	<ul style="list-style-type: none"> <li>• Scope and Objectives prepared</li> <li>• Fieldwork underway</li> </ul>
11. Academic Partner Interfaces - impact of UHI investment - Monitoring Delivery	<ul style="list-style-type: none"> <li>• Deferred to the 2011/12 plan</li> </ul>
12. Student examination processes	<ul style="list-style-type: none"> <li>• Deferred to the reserve list of the 2011/12 plan</li> </ul>

## 5. Summary of Internal Audit Work undertaken

5.1. The following paragraphs provide a summary of the Internal Audit work undertaken from the Internal Audit Plan 2010/11.

### 5.2. IT Network Vulnerability Test

5.3. An IT Network Vulnerability Test was carried out to review the adequacy and effectiveness of UHI's IT security controls to attack. As today's highly connected IT infrastructures exist in a continuously changing environment that is increasingly hostile. It is therefore, necessary to take a proactive approach to managing IT security risk and implementing robust IT security controls whilst balancing this with the needs of users and maintaining the accessibility of IT services. The results of the first independent Network Vulnerability Test provided a snapshot view of UHI IT Security Controls tested at the time. The testing provided the following conclusions:

- The External Vulnerability Test – concluded that 'due to the number of hosts which were assessed, the level of security was fairly high. Due to evidence of no internal security, these few hosts put the whole network at risk. Based on this analysis we declare this is not fit for purpose'
- During the Internal Network Vulnerability Test an unsecured wireless access point was found to have unlimited connectivity to the internal network. This in itself presents a critical level vulnerability to the network. The testing concluded that 'having completed a fraction of the testing due to service disruption, we have not been able to perform a full IT health check. Having completed this review we declare this as not fit for purpose'

*(Note: The Unsecured wireless network has now been fixed and was retested by Encryption Limited on the 1<sup>st</sup> November 2010).*

- Internal application test (MYUHI, SITS and GroupWise) - report conclusion 'As these services require a user to be authenticated with a staff or student account, the risk is lowered. Having completed this review we declare this as fit for purpose'

5.4. Thirty three recommendations for improvement in IT Security control were identified as a result of the testing. At the time of the audit 17 agreed management actions were complete. The remaining 15 agreed management actions were prioritised as two high, five medium, and the remainder as low priority. Actions to improve control were agreed by Management, with the final action due for implementation by 30 June 2011.

5.5. A further six overarching recommendations were made where improvements in control should be considered, of which three were prioritised as high and three as medium. These recommendations sought to help reduce the threat surface available to potential attackers and better enable early identification and mitigation of IT security vulnerabilities/risks by further strengthening governance and management arrangements. Actions to improve control were agreed by Management, with the final action due for implementation by 30 September 2011.

### 5.6. IT Network Vulnerability Test Follow Up

5.7. The purpose of this review was to record the findings of IT Network Vulnerability Test – Follow Up. The results of the IT Network Vulnerability Test – Follow Up provided a snapshot view of UHI IT Security Controls tested at the time. The testing provided the following conclusions:

5.7.1. The External IT Network Vulnerability Test – concluded that while we have seen a significant improvement since the October 2010 IT Network Vulnerability Test, with this number of high risk software vulnerabilities it was difficult for us to declare the network as "fit for purpose" in its current state. It was worth remembering however, that some of the vulnerabilities in this report will be being reported for the first time, as they affect the

SAMS network rather than the main UHI network. Therefore we must currently declare the externally accessible network infrastructure at UHI as Not Fit for Purpose.

- 5.7.2. The Internal IT Network Vulnerability Test – One area of vulnerability was found and categorised as Critical. This related to multiple networked hosts being found to be missing critical Microsoft security patches. The test concluded that whilst multiple high and medium related issues were discovered, the number of issues detected in comparison with the number of IP addresses scanned (over 5000), was found to be relatively low. Therefore, we are pleased to be able to declare the internal network at UHI Fit for Purpose.
- 5.7.3. Forty four recommendations for improvement in IT Security control were identified as a result of the testing, of which one was prioritised as critical, nine as high, twenty one as medium, and the remainder as low priority. Two low risk recommendations were not agreed. Forty two actions to improve control were agreed, three of which were already complete.
- 5.7.4. A further high priority recommendation was made and agreed to improve control to ensure that where IT security vulnerabilities were identified that measures to mitigate the risk were implemented on a timely basis.
- 5.7.5. Actions to improve control were agreed by Management, with the final action due for implementation by 16 December 2011.

#### **5.8. Student Retention and Management of Withdrawals**

- 5.9. An internal audit review was carried out to review the adequacy of the arrangements in place to manage student retention and management of withdrawals. UHI had recognised the retention of students as an important issue for UHI in terms of reputational risk and Court had requested that retention be included as a standing item on its agenda. A UHI Retention Strategy was in place. Roles, responsibilities and procedures had been defined for student withdrawals and these were detailed in the Academic Standards and Quality Regulations.
- 5.10. There were opportunities identified to improve the timeliness of student withdrawals by fully defining timeframes and better controlling the timeliness of notification and processing. There was also scope to better engage students in completing their withdrawal forms and to improve the accuracy and completeness of information on student withdrawals. This will help to improve management information on the current student population and to enable better understanding of the reasons for students withdrawing. An online withdrawal form was in the process of being developed which may help to improve matters.
- 5.11. Student retention is monitored and reviewed through the Annual Quality Monitoring Process overseen by the Learning and Teaching Quality Committee, who had also established a Retention Working Group to help ensure that consideration of student retention occurs in all learning and teaching activities at UHI.
- 5.12. Eight recommendations for improvement in control were identified, of which two were prioritised as high, four as medium, and the remainder as low priority. Actions to improve control were agreed by Management, with the final action due for implementation by 31 May 2011.

#### **5.13. Health and Safety**

- 5.14. An internal audit review was carried out to assess the adequacy and effectiveness of UHI processes and procedures to promote and manage health and safety.
- 5.15. Court had demonstrated its commitment to health and safety by setting up a UHI Health and Safety Committee with a remit to assure Court that UHI operates within health and safety legislation in relation to both staff and students and to promote best practice in health and safety matters within UHI Executive Office and Academic Partners. UHI had recently reviewed and updated the UHI Executive Office Health, Safety and

Environmental Policy which defined the general policy, responsibilities and health and safety arrangements.

- 5.16. There was scope identified in UHI Executive Office to better demonstrate a systematic approach to identifying and assessing health, safety and environmental risks and to determining that control measures were established and being maintained. There was an opportunity to better formalise UHI health and safety assurance arrangements by requesting Academic Partners to provide an annual health safety report describing the arrangements that were in place throughout the year to ensure the health, safety and wellbeing of UHI staff and students. Health and safety performance could be better monitored by requesting Academic Partners to provide information on incidents and accidents.
- 5.17. Six recommendations for improvement in control were identified, of which three were prioritised as high and three as medium priority. Actions to improve control were agreed by Management, with the final action due for implementation by 30th September 2011.

**5.18. Procurement**

- 5.19. An internal audit review was carried out to assess the adequacy and effectiveness of the processes and procedures for managing and controlling purchase ordering, receipt of goods or services, purchase invoice processing and payment of invoices.
- 5.20. Although recent developments had gone some way to supporting best value purchasing across UHI Executive Office in relation to non-pay spend further improvements can be made by continuing to implement and embed actions identified in the Procurement Capability Assessment report prepared by Advanced Procurement for Universities and Colleges. On the whole we found that the processes and procedures for managing and controlling purchase ordering, receipt of goods or services, purchase invoice processing and payment of invoices were adequate and effective. It was evident that these had been strengthened with the implementation of PECOS in November 2010.
- 5.21. Eleven recommendations for improvement in control were identified, of which 3 were prioritised as high, 7 as medium, and the remainder as low priority. Ten actions to improve control were agreed by Management, with the final action due for implementation by 31 July 2012.

**5.22. Project Management**

- 5.23. An internal audit review was carried out to assess the adequacy and effectiveness of the processes and procedures for managing and controlling projects across UHI Executive Office.
- 5.24. The review found that UHI had a good project management methodology in place, however, there was a need to further refine and strengthen this to ensure an appropriate level of project governance and assurance was received without placing too much administrative burden on the Project Managers. In addition, we noted that there was an inconsistent use of the UHI Project Management Methodology among staff and that if a centralised system for recording key project information was implemented then central oversight would be easier and compliance with the methodology could increase.
- 5.25. Thirteen recommendations for improvement in control were identified, of which 11 were prioritised as medium and the remainder as low priority. No recommendations were prioritised as high. Actions to improve control were agreed by Management, with the final action due for implementation by 30 September 2011.

**5.26. Compliance with the Equalities Legislation**

- 5.27. An internal audit review was carried out of UHI arrangements for ensuring compliance with the Equality Act 2010.



- 5.28. The Equality and Human Rights Commission Scotland had recognised that there was uncertainty surrounding the definition and agreement of the Equality Act 2010 specific duties by the Scottish Parliament and that in the interim public authorities were still covered by the general duty to give due regard to equality in all that they do. In the absence of specific duties, the Commission strongly recommends that public authorities continue to follow good practice, in particular in assessing equality impact and gathering relevant evidence and information.
- 5.29. UHI had articulated its commitment to ensuring equality of opportunity and fair treatment of staff and students by Court approving an Equality and Diversity Charter. UHI was currently working towards the development of a Single Equality Framework in response to the Equality Act 2010. However, there was scope identified to better ensure the impact assessment of all policies, processes and practices by better formalising responsibilities for carrying out impact assessment and developing a planned and measured approach that can be monitored. There were opportunities to further strengthen the Equal Opportunities Committee reporting arrangements to better provide a more robust and demonstrable evidence base to assure Court of compliance with Equality Law.
- 5.30. Eight recommendations for improvement in control were identified, of which two were prioritised as high, five as medium, and the remainder as low priority. Actions to improve control were agreed by Management, with the final action due for implementation by 31 December 2011.

**5.31. Strategic Planning**

- 5.32. An internal audit review of Strategic Planning was carried out to assess the adequacy and effectiveness of the processes and procedures for managing and controlling the preparation, development and implementation of the UHI Strategic Plan.
- 5.33. UHI was in the process of developing a new UHI Strategic Plan for 2012-15. UHI had in place a formalised process to develop the new strategic plan and had consulted with Court, Senior Managers, Academic Partners, UHI Committees, Staff, Students, Schools and school leavers as well as representatives of public and private sectors and local business. There were opportunities identified to further improve the strategic planning process by better developing internal and external sources of business intelligence to underpin strategic planning.
- 5.34. Significant management effort had been expended on the comprehensive and detailed processes for implementing and monitoring the 2008-11 UHI Strategic Plan, however, this had not proved fully effective given the subsequent retiral of the Performance Reporting System through lack of use. Review of the 2008-11 UHI Strategic Plan also identified scope to improve controls surrounding the better definition of SMART objectives and linked Key Performance Indicators as well as progress reports to Court. In this regard it was noted that Court had recently approved a new set of Key Performance Indicators.
- 5.35. Two high priority recommendations were made:
- There was scope identified to provide more cohesive indicators of performance by better correlating Key Performance Indicators to Strategic Objectives.
  - There was scope to better define arrangements to monitor progress against the strategic plan by ensuring that strategic plan progress reports were included as standing items on appropriate committee agendas and that relevant timely reports and Key Performance Indicators were provided.
- 5.36. There was also an opportunity to develop a more formalised approach to the ongoing review of the strategic planning process, to aid in the identification of areas for improvement and to help implement any lessons learnt.

- 5.37. Six recommendations for improvement in control were identified, of which two were prioritised as high, three as medium, and the remainder as low priority. Actions to improve control were agreed by Management, with the final action due for implementation by 31 December 2012.

**5.38. Risk Management**

- 5.39. An internal audit review of risk management was carried out using a template provided by the Institute of Internal Auditors (IIA) which helps to enable an assessment of an organisations risk maturity to be undertaken.
- 5.40. The UHI Revised Process for Risk Identification and Management provided a sound starting point to define and formalise UHI's risk management framework processes and procedures. The formation and work of the Risk Review Group was providing a continuing impetus to improve risk management processes and was better enabling the provision of timely risk information to the Finance and General Purposes Committee and Court.
- 5.41. One High priority recommendation was made to further improve control by improving processes to collate information on partnership risk from Academic Partners and to maintain and update lower level risk registers.
- 5.42. In total, four recommendations for improvement in control were identified, of which one was prioritised as high and the remainder as medium priority. One action to improve control had already been completed and three remaining actions were agreed by Management, with the final action due for implementation by 31 of December 2011.
- 5.43. On conclusion of the assessment it was the Internal Auditor's opinion that UHI's risk maturity could be classified as 'Risk Defined'. The IIA describe the key characteristics of being risk defined as having the "strategy and policies in place and communicated. Risk appetite defined". The IIA suggest that in these circumstances Internal Audit's approach should be to "facilitate risk management / liaise with risk management and use management assessment of risk where appropriate".

## 6. Follow up of agreed management actions

- 6.1. As part of the normal Internal Audit process the Internal Audit Service follows up the implementation of agreed management actions to provide assurance to the Audit Committee that actions to improve control or further mitigate risk are being implemented on a timely basis.
- 6.2. The UHI Internal Audit Service records all agreed management actions to improve control in a follow-up database. The follow-up database is used to provide managers with a monthly reminder/update of their agreed management actions. The Internal Auditor provides the Audit Committee with a follow-up report at each meeting which the Committee uses to closely monitor the implementation of agreed management actions.
- 6.3. The following table describes the categories used to prioritise recommendations to improve control.

<b>Categorisation of recommendation</b>	<b>Definition of category</b>
High	Inadequate systems and controls which if not addressed could expose the institution to significant financial, operational or reputational risk and adversely impact on implementation of its strategic plan.
Medium	Systems and controls which are not fully effective, and failure to improve them could adversely affect operational plans at departmental level.
Low	Good practice dictates that some enhancements to existing systems and controls are desirable.

- 6.4. The following table shows the total number of agreed management actions by Audit Year and priority.

<b>Priority</b>	<b>2008-9</b>	<b>2009-10</b>	<b>2010-11</b>	<b>Total</b>
<b>High</b>	17	7	33	57
<b>Medium</b>	26	34	78	138
<b>Low</b>	17	55	31	103
	<b>60</b>	<b>96</b>	<b>142</b>	<b>298</b>

6.5. The following table provides a summary of **all** the agreed management actions by audit since February 2009. It is important to note that the table includes agreed management actions that are **not** yet due for completion.

<i>Audit Ref</i>	<i>Audit Title</i>	<i>High</i>		<i>Medium</i>		<i>Low</i>		<i>Total</i>	<i>Total Completed</i>	<i>Percentage completed</i>
		<i>Total</i>	<i>Completed</i>	<i>Total</i>	<i>Completed</i>	<i>Total</i>	<i>Completed</i>			
09-01	Risk Management 2009	3	3	4	4	3	3	10	10	100%
09-02	Review of the Strategic Delivery Body	4	4	3	3	6	6	13	13	100%
09-03	Curriculum Development Review	1	1	5	5			6	6	100%
09-04	Business Continuity Planning	6	4	9	7	4	2	19	13	68%
10-09	Data Management Information Accessibility and Security	5	2	12	6	6	5	23	13	57%
09-06	Monitoring Academic Partners' financial position	3	2	5	3	4	4	12	9	75%
10-07	Student Fees			5	3	37	28	42	31	74%
10-19	Transparent Approach to Costing			3	3			3	3	100%
10-05	HR Payroll			3	3	3	3	6	6	100%
10-03	Research Business Planning and Development	1		7	3	4	2	12	5	42%
10-06	Student Retention and Management of Withdrawals	2		4	1	2	0	8	1	13%
10-08	Network Vulnerability Test (IT)	10	8	21	20	13	12	44	40	91%
10-04	Business Transformation			3	3	4	4	7	7	100%
10-11	Risk Management 2010	1	1	1	1	1	1	3	3	100%
11-05	Health and Safety	3	0	3	0			6	0	0%
11-01	Procurement	3	0	6	0	1	1	10	1	10%
11-06	Project Management			11	1	2	0	13	1	8%
11-07	Compliance with Equality Law	2	0	5	2	1	0	8	2	25%
11-11	Risk Management 2011	1	0	3	1			4	1	25%
11-03	IT Network Vulnerability Test - Follow Up	10	1	22	2	11	0	43	3	7%
11-04	Strategic Planning	2	0	3	0	1	0	6	0	0%
	<b>Total</b>	<b>57</b>	<b>26</b>	<b>138</b>	<b>71</b>	<b>103</b>	<b>71</b>	<b>298</b>	<b>168</b>	<b>56%</b>
	<b>Percentage Complete</b>	<b>High 46%</b>		<b>Medium 51%</b>		<b>Low 69%</b>		<b>Total 56%</b>		

## **7. Annual opinion on the adequacy and effectiveness of the University of the Highlands and Islands arrangements for risk management, control and governance; economy, efficiency and effectiveness (value for money).**

7.1. The Internal Audit Terms of Reference require the UHI Internal Auditor to give an annual opinion to Court and Principal and Vice Chancellor, through the Audit Committee, on the adequacy and effectiveness of UHI's arrangements for:

- risk management, control and governance;
- economy, efficiency and effectiveness (value for money).

7.2. It is important to note that:

- The opinion is based upon the internal audit work undertaken since the 1st August 2010 from the Internal Audit Plan 2010/11, summarised earlier in section five.
- Internal control can provide only a reasonable and not absolute assurance to management and Court regarding achievement of UHI's objectives.
- Responsibility for risk management, control and governance arrangements and the achievement of value for money rests with Court and management, who should ensure that appropriate and adequate arrangements exist without reliance on the University of the Highlands and Islands Internal Audit Service.
- Internal Audit reviews have a reasonable chance of detecting significant control weaknesses but cannot guarantee that fraud, error or non compliance will be detected.

### **7.3. Adequacy and Effectiveness of the University of the Highlands and Islands arrangements for Risk Management, Control and Governance**

#### **7.4. Findings**

##### Risk Management

7.5. An internal Audit Review of Risk Management was undertaken during the year and a summary of the review was included in paragraphs 5.31 to 5.43. Appendix A also includes the internal audit assessment on UHI's risk maturity.

7.6. The review concluded that the UHI Revised Process for Risk Identification and Management provided a sound starting point to define and formalise UHI's risk management framework processes and procedures. The formation and work of the Risk Review Group was providing a continuing impetus to improve risk management processes and was better enabling the provision of timely risk information to the Finance and General Purposes Committee and Court. Recommendations for improvement in control were identified and actions to improve control were agreed by management.

##### Control

7.7. During the year the Internal Audit Service has reviewed and tested many of UHI's internal controls based upon the Internal Audit Plan. A summary of the findings of these reviews is included in section 5.

7.8. All of the internal audits undertaken during the year have resulted in recommendations being made to improve control. The following table shows the categorisation of internal audit recommendations.

<b>Categorisation of recommendation</b>	<b>Definition of category</b>	<b>Number of recommendations made</b>	<b>Percentage of recommendations agreed by management</b>
High	Inadequate systems and controls which if not addressed could expose the institution to significant financial, operational or reputational risk and adversely impact on implementation of its strategic plan.	32	100%
Medium	Systems and controls which are not fully effective, and failure to improve them could adversely affect operational plans at departmental level.	75	99%
Low	Good practice dictates that some enhancements to existing systems and controls are desirable.	32	94%
<b>Total</b>		<b>139</b>	<b>98%</b>

- 7.9. There were no significant internal audit recommendations that the Internal Audit Service consider had not received adequate management attention. The implementation of the agreed management actions corresponding to the recommendations will continue to improve UHI's internal control arrangements.

#### Governance

- 7.10. In December 2009 UHI had reviewed its Statement of Governance and Code of Practice and the Handbook for Members of Court. The Statement of Governance and Code of Practice were revised to take into account the guidance issued by Committee of University Chairmen and other authorities. Both documents seek to ensure that UHI governance is in line with sector best practice.
- 7.11. On the 9 of December 2010 a Special Resolution of the Company "That the name of the Company be changed from "UHI Millennium Institute" to "University of the Highlands and Islands, such change of name being conditional upon Privy Council consent." was carried unanimously.
- 7.12. Following a rigorous review by the Quality Assurance Agency scrutiny panel the Privy Council awarded University title to the UHI Millennium Institute and UHI Millennium Institute became the University of the Highlands and Islands on the 2 of February 2011.
- 7.13. The Delegated Authorisation Schedule was updated and approved by Court at its meeting of the 22 March 2011, to take account of minor changes required following University title being granted and for changes to committee structures.
- 7.14. During the year Court agreed that the work of the Post Title Working Group should continue and that it had a useful role to play by informing debate with regard to considering possible options and models for the future strategy and governance

structure of the organisation. Court resolved to approve the recommendation from the Post Title Working Group to establish an Academic Partner Chairs Committee chaired by the UHI Chairman or Vice Chairman who would meet approximately four weeks prior to each Court meeting to discuss relevant issues and to report to the Court in an effort to enhance communications and improve information flow between the Academic Partners and the governing body. Court approved the formation of an Academic Partner Chairs Committee for an initial period of two years and then to review its effectiveness.

- 7.15. In June 2011 Court members attended a one day training session. The main focus of the training was on “governing in an economic downturn”. Training was provided by a tutor from the Leadership Foundation.

**7.16. Opinion**

**On the basis of the work carried out since 1 August 2010, the UHI Internal Auditor concludes that where scope to improve controls was identified management actions have been agreed to address these. There is sufficient evidence of controls and procedures to provide reasonable assurance that UHI has adequate and effective arrangements for risk management, control and governance.**

**7.17. Adequacy and Effectiveness of the University of the Highlands and Islands arrangements for economy, efficiency and effectiveness (value for money)**

**7.18. Findings**

- 7.19. The Scottish Funding Council Financial Memorandum mandatory requirements effective from the 14 October 2008, state that the ‘institution must have a strategy for systematically reviewing management’s arrangements for securing value for money. As part of its internal audit arrangements, the institution must obtain a comprehensive appraisal of management’s arrangements for achieving value for money’.
- 7.20. In April 2009 Internal Audit discussed the need to prepare a UHI Value for Money (VFM) Strategy with the Deputy Principal - Secretary and the Director of Finance and Planning. A VFM Strategy was prepared and the Finance and General Purposes Committee agreed at its 9 of June 2009 meeting to recommend approval of the strategy to Court and welcomed the fact that UHI already fulfilled many of the requirements. Court approved the VFM Strategy at its meeting on the 23 of June 2009.
- 7.21. The VFM Strategy was prepared in line with guidance issued by HEFCE<sup>1</sup>. The Finance and General Purposes Committee is responsible for developing and overseeing the VFM Strategy. The VFM Strategy also sets out a comprehensive action plan of actions to be undertaken that will help to contribute further to the achievement of value for money. Executive Board and Senior Management have operational responsibility for developing the improvement arrangements and identifying resource requirements, co-ordinating and delivering work against the plan.
- 7.22. The VFM Strategy states that Finance and General Purposes Committee will receive a progress report twice a year to monitor progress against the VFM improvement plan and to ensure that recommendations are implemented. The Finance and General Purposes Committee received a progress report and updated VFM improvement plan for approval at its meeting on the 31st of August 2010. The action plan defined a number of actions to be progressed throughout 2010. The UHI Secretary confirmed that the VFM action plan was to be reviewed and an updated plan provided to the Finance and General Purposes Committee ahead of reporting to Court in December 2011.

<sup>1</sup> Higher Education Funding Council England (HEFCE) – Guidance on value for money (VFM) strategies and reporting



- 7.23. Additional to the actions identified in the VFM improvement plan, a zero based budgeting exercise had been carried out and had informed the preparation of operational budgets for financial years 2010-13. The purpose was to ensure resources were aligned to UHI's strategic and operational priorities. The process involved a constructive challenge of each departmental budget based on best value concepts of the 'Four C's'; that is, challenging why, how and by whom, comparing performance, consulting where possible with users, and competing for resources with other departments.
- 7.24. During the year, a UHI Procurement Policy had been developed the purpose of the procurement policy was to provide details of UHI:
- Procurement leadership and governance;
  - People;
  - Procurement strategy and objectives;
  - Approach to defining its supply needs, including the specification of goods and services;
  - Sourcing strategy and use of collaborative procurement;
  - Purchasing processes and systems, and
  - Contract management.
- 7.25. The Procurement Policy was scheduled for approval at the Finance and General Purposes Committee meeting on the 30 August 2011.
- 7.26. In the course of the year UHI had progressed a number of strategic initiatives. The following two UHI strategic initiatives provide examples of areas where business process developments will promote achievement of value for money outcomes:
- In May 2011, Learning and Information Services and the Academic Partners created the Fort Augustus Agreement that forms the basis of an agreement to progress a shared Learning and Information Service.
  - UHI also advanced a strategic programme to develop a Curriculum for the 21st Century (C21C). C21C is focussed on the development and use of internal resources to enhance the student experience via the concentration of resources, shared development, wider access, a broader range of approaches to learning and greater consistency / equivalence across the network. It aims to increase the sustainability of UHI's curriculum and delivery via increased co-operation in the development and delivery of a more networked curriculum.

**7.27. Opinion**

**On the basis of the work carried out since 1 August 2010, the UHI Internal Auditor concludes that in June 2009 Court approved a Value for Money Strategy which defined the objectives, approach, roles, responsibilities, reporting requirements and provides an action plan to help promote and secure value for money within UHI.**

**There is sufficient evidence (subject to the full implementation of the Value for Money Strategy and review and update of the action plan) that there are now processes and procedures to provide reasonable assurance that UHI has adequate and effective arrangements to promote economy, efficiency and effectiveness (value for money).**

## 8. Internal Audit Key Performance Indicators

- 8.1. The Internal Audit Terms of Reference require the UHI Internal Auditor to implement measures to monitor the effectiveness of the Internal Audit Service. The Key Performance Indicators were discussed and agreed with the Secretary. They are derived from Key Performance Indicators suggested in the Committee of University Chairmen, Handbook for Members of Audit Committees in Higher Education.

Internal Audit Performance indicator	Target	Actual 2010/11
Percentage of audit work delivered by qualified staff.	60%	100%
Internal Audit Plan to be submitted by June each year.	June of each year	Final Audit Plan for 2010/11 approved by Audit Committee at its June 2010 meeting.
Follow-ups to be performed within 3 months of the last action date of recommendations made.	Within 3 months of the last action date of recommendation	Management are provided with a monthly update on their agreed management actions and a follow up report is provided to each meeting of the Audit Committee.
Issue of draft reports within 30 days of work being completed.	30 working days	100%
Issue of final report within 10 working days of receipt of management responses.	10 working days	100%
Recommendations made compared with recommendations accepted.	80%	98%
Internal audit reviews that added value.	90%	100%
Internal audit attendance at audit committee meetings.	100%	100%
Issue of internal audit annual report.	September of each year	Report provided to September 2011 Audit Committee

## **9. Internal Audit Service Quality Assurance programme**

- 9.1. The UHI Internal Audit Service is required through its Terms of Reference to perform internal audit work with due professional care, in accordance with appropriate professional auditing practice and with regard to Treasury and the Institute of Internal Auditors standards (see later paragraph 9.11).
- 9.2. The letter of agreement established between the University of the Highlands and Islands and the co-sourced internal audit partner Henderson Loggie affirms that the co-sourced internal audit partner will perform internal audit services in accordance with relevant professional standards and guidelines and in accordance with the Scottish Funding Council Financial Memorandum.
- 9.3. Compliance with the Institute of Internal Auditors, International standards requires the UHI Internal Auditor to develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The Institute of Internal Auditors International standards requires that the Internal Audit Service Quality Assurance Programme must include both internal and external assessments.
- 9.4. The UHI Internal Audit Service has established a two tier approach to its quality assurance and improvement program:
- The ongoing process of monitoring the performance of internal audit activity.
  - Internal Audit Annual Quality Assurance assessments. An internal review undertaken by the Principal and Vice Chancellor and the Secretary and an external evidence based peer review assessment.

### **9.5. Ongoing Performance Monitoring of Internal Audit Activity**

- 9.6. The UHI Internal Auditor manages the provision of the co-sourced Internal Audit Service on an ongoing basis. A monthly reporting process is in place to keep the Principal and Vice Chancellor informed of Internal Audit's progress. The Internal Audit Service has introduced Internal Audit Performance Questionnaires that are issued to management and staff at the conclusion of internal audit work. Feedback from management and staff on the performance of Internal Audit reviews is valued by the Internal Audit Service and helps enable the service provided to be improved and assists the Audit Committee in forming an opinion on the efficiency and effectiveness of the Internal Audit Service.

- 9.7. The table below presents a summary of the Internal Audit Performance Questionnaire responses received. The responses illustrate that on the whole 100% of the respondents were either fully satisfied or satisfied.

<b>Internal Audit Performance Questionnaire</b>	<b>Fully Satisfied</b>	<b>Satisfied</b>	<b>Not Satisfied</b>	<b>Fully Dissatisfied</b>	<b>N/A</b>
1. Were you given adequate notification of the audit?	78%	22%	0%	0%	0%
2. Were you adequately informed of the audit scope and objectives?	78%	22%	0%	0%	0%
3. Were the appropriate staff consulted for the audit area covered?	67%	33%	0%	0%	0%
4. Did the auditor display a professional, constructive and positive approach during the review?	67%	33%	0%	0%	0%
5. Did the auditor discuss key results/findings with you during the review?	67%	33%	0%	0%	0%
6. Were you given the opportunity to discuss the draft report with the auditor prior to finalisation?	67%	33%	0%	0%	0%
7. Was the report produced to a professional standard?	67%	33%	0%	0%	0%
8. Overall, were you satisfied with the review? Has it been worthwhile and added value to your work?	67%	33%	0%	0%	0%
<b>Percentage Totals</b>	<b>69%</b>	<b>31%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

### 9.8. Annual Internal Audit Quality Assurance Reviews

- 9.9. In January 2009, the Institute of Internal Auditors launched its International Professional Practices Framework. This is a revised version of the IIA Standards and Guidance. The revised requirements state that the Internal Audit Service Quality Assurance Programme must include both internal and external assessments.

#### Internal Quality Assessment Reviews

- 9.10. The Committee of University Chairmen guide for members of Audit Committees in Higher Education provides useful templates to help in the annual evaluation of internal audit. The Principal and Vice Chancellor and Secretary completed assessments in July and August 2011 respectively, which provide an independent internal evaluation of the Internal Audit Service. The UHI Internal Audit Service internal quality assessments are included in Appendix B.

External Quality Assessment reviews

- 9.11. The UHI Internal Audit Service participated in an external evidence based peer-reviewed assessment to provide independent external assurance to the Audit Committee over quality control of the UHI Internal Audit Service and to demonstrate compliance with the IIA standards.
- 9.12. The Council of Higher Education Internal Auditors (CHEIA), with the support of the Higher Education Funding Council England (HEFCE) leadership fund, piloted an internal audit 'self assessment' tool in 2006/07 which was developed by RSM Robson Rhodes; this was then rolled out from 2007/08. The self assessment tool provides a means of benchmarking service delivery against recognised best practice and helps to achieve and maintain an even higher quality internal audit service in the higher education sector.
- 9.13. The self assessment tool is a spreadsheet-based assessment comprising of 60 questions, against which the assessor is required to rate the audit service on a four point scale, from 'best practice' to 'potentially non-compliant'. To ensure consistency of completion the assessment requires a response to be provided to all 60 questions regardless of whether they best fit an individual institution's Internal Audit Service arrangements or not. Responses to these questions are then weighted and calculated to deliver percentage scores against six criteria: due professional care; strategy; methodology; people; independence and quality assurance. The tool can be completed in three ways, by self assessment, peer reviewed self assessment and finally by an evidence based peer-review process. The tool is in widespread use across the UK and Ireland as promulgated by HEFCE and CHEIA.
- 9.14. The UHI Internal Auditor attended a meeting on the 3 August 2011 in Edinburgh with the Heads of Internal Audit of Newcastle University and the University of Strathclyde to have an evidence based peer-review of the UHI Internal Audit Service carried out. The following table presents the results of the assessment.

Assessment Criteria	%
Due professional care	85
Strategy	83
Methodology	82
People	73
Independence	87
Quality assurance	71
<b>Overall average</b>	<b>80</b>

Key
90% - 100% Best Practice
<b>60% - 90% Good Practice</b>
20% - 60% Partially Compliant
0% - 20% Potentially Non-Compliant

- 9.15. The results of the UHI Internal Audit Service evidence based peer-reviewed assessment show that the UHI Internal Audit Service represents **Good Practice**.

## 10. Conclusion

- 10.1. The co-sourced Internal Audit Service was established in February 2009. The Internal Audit Service is continuing to develop its role within the University of the Highlands and Islands and seeks to assist the University in progressing towards achievement of its objectives by providing independent, objective assurance on risk management, control and governance.

### Appendix A - The Institute of Internal Auditors UK and Ireland - An approach to implementing Risk Based Internal Audit

**Assessing the University's risk maturity** -This assessment was made by reviewing the University of the Highlands and Islands' practices, processes and relevant supporting documentation such as the risk management strategy, policy and risk registers.

Risk Maturity	Risk naive	Risk aware	Risk defined	Risk managed	Risk enabled	Sample audit test	Summary of findings
<b>Key characteristics.</b>	No formal approach developed for risk management.	Scattered silo based approach to risk management.	Strategy and policies in place and communicated. Risk appetite defined	Enterprise approach to risk management developed and communicated.	Risk management and internal controls fully embedded into the operations.		
<b>The organisation's objectives are defined.</b>	Possibly.	Yes - but may be no consistent approach.	Yes <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>	Check the organisation's objectives are determined by Court and have been communicated to all staff. Check other objectives and targets are consistent with the organisation's objectives.	UHI's objectives are defined in the Strategic Plan.
<b>Management have been trained to understand what risks are, and their responsibility for them.</b>	No	Some limited training.	Yes <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>	Interview managers to confirm their understanding of risk and the extent to which they manage it.	Managers were aware of risk and their responsibility for managing it. Whilst some managers were maintaining up to date risk registers for their areas of responsibility others were not. However, managers confirmed that they carried out activities to actively manage risk.

<p><b>A scoring system for assessing risks has been defined.</b></p>	<p>No</p>	<p>Unlikely, with no consistent approach defined.</p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>Check the scoring system has been approved, communicated and is used.</p>	<p>Court had defined a scoring system for assessing risks.</p>
<p><b>The risk appetite of the organisation has been defined in terms of the scoring system.</b></p>	<p>No</p>	<p>No</p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>Check the document on which the controlling body has approved the risk appetite. Ensure it is consistent with the scoring system and has been communicated.</p>	<p>Court had defined its risk appetite and also set tolerance levels for approval of risks via its risk scoring system.</p>
<p><b>Processes have been defined to determine risks, and these have been followed.</b></p>	<p>No</p>	<p>Unlikely</p>	<p>Yes, but may not apply to the whole organisation. <input checked="" type="checkbox"/></p>	<p>Yes</p>	<p>Yes</p>	<p>Examine the processes to ensure they are sufficient to ensure identification of all risks. Check they are in use, by examining the output from any workshops.</p>	<p>A key part of the Risk Review Group role is to 'ensure that the identification and evaluation of key risks that threaten achievement of UHI's objectives is carried out and that a register of these risks is maintained'. The Risk Review Group has met throughout 2010/11 and has invited risk owners to give presentations on the management of risks within their particular sphere of responsibility. However, there remained scope to improve processes to ensure that departmental and Faculty risk registers were being kept up to date. The on-going work of the Risk Review Group has improved the process of</p>

							<p>identifying, assessing and reporting on high level risks via the UHI High Level Risk Register.</p>
<p><b>All risks have been collected into one list. Risks have been allocated to specific job titles.</b></p>	<p>No</p>	<p>Some incomplete lists may exist.</p>	<p>Yes, but may not apply to the whole organisation.</p> <p style="text-align: center;"><input checked="" type="checkbox"/></p>	<p>Yes</p>	<p>Yes</p>	<p>Examine the Risk Register. Ensure it is complete, regularly reviewed assessed and used to manage risks. Risks are allocated to managers.</p>	<p>The process approved by Court defined a governance framework with responsibilities for review and approval of risks above defined scores. The High Level Risk Register shows that where risks have been collated, that they have been allocated to a Risk Owner.</p> <p>There was potentially a risk that the High Level Risk Register may not be complete as processes to collate information on partnership risk from Academic Partners were not yet in place and processes to maintain and update lower level risk registers were not being complied with. The Risk Review Group had also noted that there was currently no methodology for automatically collating risk information from all the risk registers. However, the Risk Review Group process requiring risk owners (e.g. members of the Senior Executive Team and Senior Academic Team) to provide information on new risks and to review and update the High Level Risk Register ahead of each quarterly meeting of the Risk Review Group may help to</p>



							mitigate this.
<b>All risks have been assessed in accordance with the defined scoring system.</b>	No	Some incomplete lists may exist.	Yes, but may not apply to the whole organisation.	Yes <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>	Check the scoring applied to a selection of risks is consistent with the policy. Look for consistency (that is similar risks have similar scores).	Risks were being assessed in accordance with the defined scoring system.
<b>Responses to the risks have been selected and implemented.</b>	No	Some responses identified.	Yes, but may not apply to the whole organisation <input checked="" type="checkbox"/>	Yes	Yes	Examine the Risk Register to ensure appropriate responses have been identified.	Review of the High Level Risk Register highlighted that responses to risks had been recorded for each risk. Many of the mitigating controls described required on-going commitment to provide mitigation. However, there was an opportunity to further improve processes surrounding the recording of the person responsible and action timescale for further actions.
<b>Management have set up methods to monitor the proper operation of key processes, responses and action plans (monitoring controls).</b>	No	Some monitoring controls.	Yes, but may not apply to the whole organisation. <input checked="" type="checkbox"/>	Yes	Yes	For a selection of responses, processes and actions, examine the monitoring control(s) and ensure management would know if the responses or processes were not working or if the actions were not implemented.	A Risk Review Group had been established and processes were in place to facilitate the review of the High Level Risks in the Register. Risk Owners had provided presentations to the Risk Review Group on their risks and the actions being taken to mitigate them, the constraints and issues faced and to help identify any further support needed to better manage risk. The minutes of the Risk Review Group were reported to the

							Finance and General Purposes Committee, Audit Committee and Court together with the updated risk register.
<b>Risks are regularly reviewed by the organisation.</b>	No	Some risks are reviewed, but infrequently.	Regular reviews, probably annually. <input checked="" type="checkbox"/>	Regular reviews, probably quarterly.	Regular reviews, probably quarterly.	Check for evidence that a thorough review process is regularly carried out.	Responsibilities for Committees to review risks at different levels throughout the UHI had been defined by Court. Processes were in place to facilitate the review of UHI's high level risks via the Risk Review Group, Finance and General Purposes Committee and by Court itself. However, it was noted that most lower level departmental and Faculty risk registers were not being reviewed and kept up to date. The consequence of this may be a failure to identify, manage and report on risk on a timely basis.
<b>Management report risks to directors where responses have not managed the risks to a level acceptable to Court.</b>	No	No	Yes, but may be no formal process. <input checked="" type="checkbox"/>	Yes	Yes	For risks above the risk appetite, check that Court has been formally informed of their existence.	The current risk management process uses the initial risk assessment (the gross risk) to define when risk should be reported to the Risk Review Group for review and approval. There were currently no formalised processes to define the risk appetite (the level acceptable to Court) for each risk.  A Risk Review Group had been established where risk owners were invited to explain the risk, actions being taken to mitigate their risks, the constraints and

							issues faced and identify support needed from the group or the organisation to help manage risk. Court has been presented regularly with the High Level Risk Register and had noted its contents.
<b>All significant new projects are routinely assessed for risk.</b>	No	No	Most projects.	All Projects. <input checked="" type="checkbox"/>	All Projects. <input checked="" type="checkbox"/>	Examine project proposals for an analysis of the risks which might threaten them.	Processes had been defined, communicated and implemented to help ensure that all new projects were assessed for risk. However, there was an opportunity to improve control by better defining reporting arrangements for project risk to the Risk Review Group.
<b>Responsibility for the determination, assessment, and management of risks is included in job descriptions.</b>	No	No	Limited. <input checked="" type="checkbox"/>	Most job descriptions.	Yes	Examine job descriptions. Check the instructions for setting up job descriptions.	Responsibilities for the management of risk were being incorporated where relevant into job descriptions for new appointments.
<b>Managers provide assurance on the effectiveness of their risk management.</b>	No	No	No	Some managers. <input checked="" type="checkbox"/>	Yes	Examine the assurance provided. For key risks, check that controls and the management system of monitoring, are operating.	Risk Owners have attended meetings of the Risk Review Group to explain the actions being taken to mitigate their risks.
<b>Managers are assessed on their risk</b>	No <input checked="" type="checkbox"/>	No <input checked="" type="checkbox"/>	No <input checked="" type="checkbox"/>	Some managers.	Yes	Examine a sample of appraisals for	The Secretary agreed to incorporate manager's risk management performance in

<b>management performance.</b>						evidence that risks management was properly assessed for performance.	performance appraisal targets for 2010/11.
<b>Internal Audit approach</b>	Promote risk management and rely on alternative Audit Planning method	Promote enterprise- wide approach to risk management and rely on alternative Audit Planning method.	<b>Facilitate risk management / liaise with risk management and use management assessment of risk where appropriate.</b>	Audit risk management processes and use management assessment of risk as appropriate.	Audit risk management processes and use management assessment of risk as appropriate.		

|

# AC11- Appendix 1

**Appendix B - UHI Internal Audit Service internal quality assessment - peer reviews**

Fiona M Larg  
UHI Executive office  
11210

# AC11- Appendix 1



**UHI Internal Audit Service**  
Executive Office  
Ness Walk  
Inverness

## **Internal Audit – Internal Quality Assessment Reviews**

The Committee of University Chairmen guide for members of Audit Committees in Higher Education provides the following template to help in the annual evaluation of internal audit. The checklist should be completed by the head of finance and/or other senior managers and officers who have regular contact with the internal auditor.

### **Planning**

1. Are internal audit's terms of reference sufficiently visible to everyone within the institution?

Yes  No

2. Has there been sufficient pre-planning and co-ordination by the internal auditors before the start of each phase of the internal audit or special project?

Yes  No

3. Has internal audit discussed its approach and major areas of audit focus with you?

Yes  No

4. Have you raised any major areas of concern that have not been reviewed by the internal audit team?

Yes  No

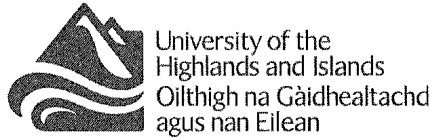
Comments

### **Skills and experience**

1. Do you consider that the internal audit team have sufficient expertise, professional experience, project management ability, interpersonal skills and seniority to effectively carry out the work required?

Yes  No

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**UHI Internal Audit Service**  
Executive Office  
Ness Walk  
Inverness

2. Assess the strength of internal audit's understanding of the institution and its risk involvement.

Strong  Adequate  Needs improvement

3. How strongly have the members of the internal audit team demonstrated an appreciation of the issues key to your role and responsibilities?

Strong  Adequate  Needs improvement

4. Have members of the internal audit team consistently demonstrated independence in all their deliberations?

Yes  No

5. Have members of the internal audit team been adequately supervised?

Yes  No

Comments

### Work programme

1. Has effective co-operation been achieved between the internal auditors and your department, including avoidance of undue disruption to normal activities?

Yes  No

2. Is there a formal process to ensure that internal audit keeps you up to date with audit/project progress?

Yes  No

3. Has internal audit provided early identification and advice regarding contentious issues, problem areas and delays?

Yes  No

4. Has internal audit suggested how such issues could be resolved?

Yes  No

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UHI Executive office  
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5. Were such suggestions realistic, robust and presented clearly and on a timely basis?

Yes  No

6. How responsive has internal audit been to the institution's needs, including requests for special investigations?

Strong  Adequate  Needs improvement

7. Are internal audit reports:

Relevant, clear and constructive?

Yes  No

Sufficiently detailed to provide assurance that the necessary audit work has been carried out to support the opinions/conclusions?

Yes  No

Sufficiently detailed to enable effective management action?

Yes  No

Issued on a timely basis?

Yes  No

8. Have internal audit findings been discussed with you prior to being tabled with the audit committee?

Yes  No

9. Has internal audit followed up recommendations to see if they have been implemented?

Yes  No

10. Do you have any major unresolved disagreements with internal audit?

Yes  No

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**UHI Internal Audit Service**  
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Ness Walk  
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## Overall performance

1. Has internal audit added value to the institution?

Yes  No

2. In what ways has internal audit added value to the institution?

**Overall comments** Internal Auditor has provided outstandingly good work. His investigations have led to process and performance improvements in many of the areas examined

Name *JAMES A. FERGUSON*  
Position *PRINCIPAL*  
Signed *[Signature]*  
Date *28/7/11*

# AC11- Appendix 1



**UHI Internal Audit Service**  
Executive Office  
Ness Walk  
Inverness

## Internal Audit – Internal Quality Assessment Reviews

The Committee of University Chairmen guide for members of Audit Committees in Higher Education provides the following template to help in the annual evaluation of internal audit. The checklist should be completed by the head of finance and/or other senior managers and officers who have regular contact with the internal auditor.

### Planning

1. Are internal audit's terms of reference sufficiently visible to everyone within the institution?

Yes  No

2. Has there been sufficient pre-planning and co-ordination by the internal auditors before the start of each phase of the internal audit or special project?

Yes  No

3. Has internal audit discussed its approach and major areas of audit focus with you?

Yes  No

4. Have you raised any major areas of concern that have not been reviewed by the internal audit team?

Yes  No

Comments	<i>Excellent planning &amp; preparation</i>
----------	---

### Skills and experience

1. Do you consider that the internal audit team have sufficient expertise, professional experience, project management ability, interpersonal skills and seniority to effectively carry out the work required?

Yes  No

# AC11- Appendix 1



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agus nan Eilean

**UHI Internal Audit Service**  
Executive Office  
Ness Walk  
Inverness

2. Assess the strength of internal audit's understanding of the institution and its risk involvement.

Strong  Adequate  Needs improvement

3. How strongly have the members of the internal audit team demonstrated an appreciation of the issues key to your role and responsibilities?

Strong  Adequate  Needs improvement

4. Have members of the internal audit team consistently demonstrated independence in all their deliberations?

Yes  No

5. Have members of the internal audit team been adequately supervised?

Yes  No

Comments

## Work programme

1. Has effective co-operation been achieved between the internal auditors and your department, including avoidance of undue disruption to normal activities?

Yes  No

2. Is there a formal process to ensure that internal audit keeps you up to date with audit/project progress?

Yes  No

3. Has internal audit provided early identification and advice regarding contentious issues, problem areas and delays?

Yes  No

4. Has internal audit suggested how such issues could be resolved?

Yes  No

Fiona M Larg  
UHI Executive office  
11210

# AC11- Appendix 1



**UHI Internal Audit Service**  
Executive Office  
Ness Walk  
Inverness

5. Were such suggestions realistic, robust and presented clearly and on a timely basis?

Yes  No

6. How responsive has internal audit been to the institution's needs, including requests for special investigations?

Strong  Adequate  Needs improvement

7. Are internal audit reports:

Relevant, clear and constructive?

Yes  No

Sufficiently detailed to provide assurance that the necessary audit work has been carried out to support the opinions/conclusions?

Yes  No

Sufficiently detailed to enable effective management action?

Yes  No

Issued on a timely basis?

Yes  No

8. Have internal audit findings been discussed with you prior to being tabled with the audit committee?

Yes  No

9. Has internal audit followed up recommendations to see if they have been implemented?

Yes  No

10. Do you have any major unresolved disagreements with internal audit?

Yes  No

# AC11- Appendix 1



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agus nan Eilean

**UHI Internal Audit Service**  
Executive Office  
Ness Walk  
Inverness

## Overall performance

1. Has internal audit added value to the institution?

Yes  No

2. In what ways has internal audit added value to the institution?

### Overall comments

*Very proactive service which is valued by  
senior management team - Early indication of  
where processes may not be working*

Name *Fiona M Larg*

Position *Secretary*

Signed *Fiona M Larg*

Date *18/11/11*

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