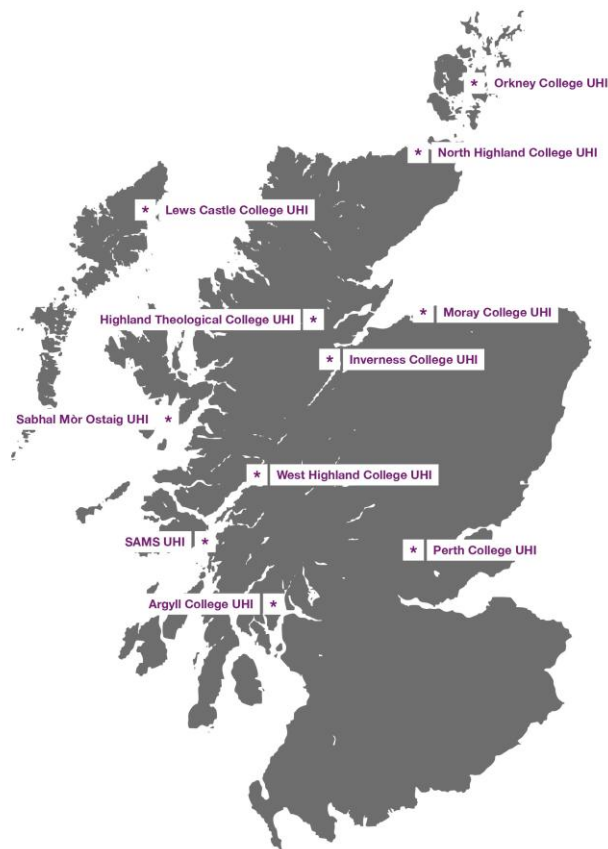


# Appendix 1



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 2012/13**

**29/08/2013**

# Internal Audit Annual Report

2012/13

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# **Annual Internal Audit Report**

**2012/13**

## **1. Introduction**

- 1.1. 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 2012 for the financial year 2012/13.
- 1.2. The Internal Audit Terms of Reference require the Head of Internal Audit 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)
- 1.3. 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 Head of Internal Audit 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 Head of Internal Audit, 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 Head of Internal Audit reports to the UHI Principal and Vice Chancellor. The Head of Internal Audit 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 2012/13 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 2012/13 at its meeting in September 2012. Progress with the audit plan was reviewed by the Audit Committee at each meeting during the year. The planned audit of Curriculum for the 21st Century was deferred to accommodate additional time allocated to the completion of a review of the sub contract between North Highland College and Ballet West.

Audit Plan	Audit days	Progress to date
Student Records Management	20	Report to Audit Committee 14 November 2012
UKBA Tier 4 sponsor licence - International Student Recruitment	15	Report to Audit Committee 20 February 2013
North Highland College – Sub Contract with Ballet West	20	Report to Audit Committee 20 February 2013
Student retention and management of withdrawals	20	Report to Audit Committee 15 May 2013
Compliance with Legislation - Bribery Act	11	Report to Audit Committee 15 May 2013

Transparent Approach to Costing	11	Report to Audit Committee 15 May 2013
Resource Allocation- EO Budgetary Control	12	Report to Audit Committee 11 September 2013
Risk Management (2013)	7	Report to Audit Committee 11 September 2013
Research Excellence Framework	15	Report to Audit Committee 11 September 2013
Planning – Continuing Student Numbers	18	Report to Audit Committee 11 September 2013
LIS Single Initiative - Partnership Service	10	Discussed the development of the LIS Shared Service with the Director of LIS. Received the notes of the Shared Services Board, Risk Registers and copies of potential draft Articles of Association of the cost sharing Group.
Curriculum for the 21st Century	20	Deferred

## 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 2012/13.
- 5.2. **Student Records Management**
- 5.3. The purpose of this report was to record the findings of an internal audit review of Student Records Management.
- 5.4. A records management cycle and structure was in place. Controls were in place to ensure that standing data, student data and changes to such data were accurate, complete and processed on a timely basis. These rely on Academic Partner staff inputting data accurately and on a timely basis. The process required ongoing close monitoring and follow-up by the Student Records Office to help ensure data integrity. The progression to greater data entry through online applications (e.g. enrolment, withdrawal and in future module selection) will further enhance control as data verification and entry controls can be in built. Furthermore, processes and checks were in place to ensure that external information users were provided with information that met their requirements.
- 5.5. Internal users' student information needs had been identified and reports developed for use by Executive Office and Academic Partner staff. We found that Executive Office staff generally found training on the student records system reporting adequate, however we noted that some Academic Partners did not use the Executive Office developed student records system reports, but instead had developed their own reports with a greater level of customisation, and as such had not had the need for training on the Executive Office developed reports. Some Academic Partners also advised that they would like to receive further training.
- 5.6. There were physical and logical access controls in place to help prevent unauthorised access to student records held on the student records system. However, there was

scope identified to further improve control through the periodic review of the list of student records system users and also through review of the number of 'generic' users.

- 5.7. The University did not have a document retention policy and there were no agreed upon retention periods for student records. Without such a policy it may be difficult for UHI to demonstrate it was complying with the Data Protection (Scotland) Act requirements and a recommendation was raised regarding this.
- 5.8. Two High priority recommendations were made. One identified scope to improve the retention of Early Statistics Return documentation, including keeping centrally Academic Partner estimate calculations and clear notes of methods used as well as retaining a formal audit trail between the Early Statistics Return figures submitted by Academic Partners and the final Early Statistics Return figures. The second related to the lack of a student records retention policy.
- 5.9. Thirteen recommendations for improvement in control were identified, of which two were prioritised as High, six as Medium, and the remainder were low priority. One action was in hand and twelve actions to improve control were agreed by Management, with the final action due for implementation by 1 August 2013.

**5.10. UKBA Tier 4 sponsor licence - International Student Recruitment**

- 5.11. The purpose of this report was to record the findings of an internal audit review on UKBA Tier 4 Compliance. UHI had put in place a Service Level Agreement between UHI and its Academic Partners to govern the use of the UHI UKBA Tier 4 Sponsor Licence. Processes and procedures had been defined and roles assigned to staff to assist in the admission of International students under the UHI UKBA Tier 4 Sponsor Licence.
- 5.12. The UHI UKBA Tier 4 Sponsor Licence was shared across the UHI partnership and enabled UHI and its Academic Partners to recruit International Students onto Higher Education courses. A failure by UHI or any of its Academic Partner to comply with the UKBA requirements could result in the licence being revoked. The nature of the UHI Partnership model means that operational responsibilities for the majority of international student admissions and administration rest with Academic Partner staff. The nature of this operating model reduces the level of direct control and therefore requires a greater level of monitoring to be carried out to provide on-going assurance of compliance with UHI processes and procedures and UKBA requirements.
- 5.13. The current records structure and filing processes expose UHI to increased risk as they make collation of monitoring information burdensome and hinder the ability to effectively monitor compliance with UKBA requirements. Increasing UHI UKBA international student recruitment further would make the process more burdensome.
- 5.14. There was scope identified to better improve control in the following high priority areas.
- Clarity should be sought from the Office of the Immigration Services Commissioner on UHI Partnership model and whether all Academic Partners can claim exemption from the requirement to be regulated by the Office of Immigration Services Commissioner.
  - Implementing more robust monitoring arrangements to ensure UHI Tier 4 processes and procedures were complied with.
  - Further improving monitoring of attendance records to ensure records were kept up to date, to better identify any attendance issues and to provide early warning of students nearing UKBA reporting requirements.
- 5.15. Twenty six recommendations for improvement in control were identified, of which 3 were prioritised as High, 18 as Medium, and the remainder were low priority. Alternative mitigating action was taken against one recommendation. Twenty five actions to improve control have been agreed by Management, with the final action due for implementation by 31 January 2014.

**5.16. North Highland College – Sub Contract with Ballet West**

- 5.17. The purpose of this report was to record the findings of an internal audit review on the North Highland College – Sub Contract with Ballet West. The scope and objectives of the review were discussed and agreed with the UHI Audit Committee, UHI Principal and Vice Chancellor, UHI Secretary, Chairman of North Highland College Board of Management, the Chair of North Highland College Audit and Risk Management Committee (Member of the North Highland College Board of Management), Principal of North Highland College prior to the commencement of fieldwork.
- 5.18. UHI had reviewed and strengthened its arrangements for the development, administration, management and monitoring of collaborative provision. Academic Council had established an External Partnership Steering Committee which was required to:
- Make recommendations to Academic Council on the procedures and processes for the approval, monitoring, withdrawal from and review of external partnerships and related collaborative provision.
  - Assess and approve proposed external partners through the conduct of due diligence enquiries, determining the nature and duration of institutional approval in each case.
  - Review new programme proposals which include development and/or delivery with an external partner, and approve the strategic fit and financial sustainability of associated business cases.
  - Receive reports of all approvals, re-approvals, annual quality monitoring and periodic reviews of external partners and collaborative programmes in order to identify areas that need to be addressed at University, Faculty and/or Academic Partner level or disseminated more widely as good practice.
  - Ensure that appropriate scrutiny takes place in the monitoring and review of all collaborative provision in order to maintain academic standards and to assure and enhance the quality of learning opportunities.
- 5.19. UHI had developed a comprehensive draft Collaborations Handbook which sets out the principles and definitions relating to collaborative provision, and provides operational guidance on the quality assurance and enhancement processes for collaborative partnerships.
- 5.20. The following areas were identified in the course of the review as areas that should be considered in future collaborative arrangements:
- When assessing potential collaborations to look wider than the student's academic experience and consider the quality of the student experience as a whole.
  - Ensuring robust and effective mechanisms to gain student feedback.
  - Provision (independent from the contractor) of regular face to face student support by an experienced student support officer or member of academic staff.
  - Obtaining assurances that the contractor is providing a safe environment for students to study and has arrangements in place to ensure Health and Safety and safeguard student welfare.
  - Mechanisms to monitor changes in contractor staffing (relevant academic qualifications / undergone disclosure checks).
  - Establishing a robust management framework supported by:
    - Detailed roles and responsibilities with people held accountable.
    - A clear policy framework.

- Minimum standards of service.
  - Detailed measures to assess performance.
  - Robust regular independent monitoring and oversight.
  - Reporting and escalation processes.
  - Risk management processes and business continuity arrangements.
  - Legal review of contractual arrangements.
- 5.21. Three recommendations for improvement in control were identified, of which all were prioritised as Medium. Actions to improve control were agreed by Management, with the final action due for implementation by 30 June 2014.
- 5.22. Student retention and management of withdrawals**
- 5.23. The purpose of this report was to record the findings of an internal audit review on Student Retention and Management of Withdrawals. The scope and objectives of the review were discussed and agreed with the Deputy Principal prior to commencement of fieldwork.
- 5.24. UHI had recognised the retention of students as an important issue for UHI in terms of reputational risk and the Court had requested that retention be included as a standing item on its agenda. UHI was progressing strategies to assist in the retention of students. Comprehensive management information and reports were available to assist staff in monitoring student retention
- 5.25. Roles, responsibilities and procedures had been defined for student withdrawals in Section 16 of the Academic Standards and Quality Regulations and in the UHI Withdrawal Policy and Process. The majority of student withdrawals in 2012-13 were processed within a reasonable timescale (less than 60 days) however their remained an opportunity to further improve on the timeliness of notification of student withdrawals.
- 5.26. Student retention was monitored and reviewed through the Annual Quality Monitoring Process overseen by the Learning and Teaching Quality Committee. However there was scope identified to improve the transparency surrounding performance against Teaching and Learning Key Performance Indicators at the time of completion of Programme and Module Self Evaluation Documents and to better demonstrate that poor performance against Key Performance Indicators was being responded to and that action plans were put in place.
- 5.27. UHI had agreed an outcome agreement for 2012-13 with the Scottish Funding Council including outcomes for retention and was expecting to report on progress in autumn 2013. Arrangements were actively being progressed to identify any gaps in management information and to further develop monitoring and reporting processes to better enable monitoring of the retention outcomes for 2013-14 outcome agreement.
- 5.28. Seven recommendations for improvement in control were identified, of which four are medium, and the remainder as low priority. Six actions to improve control were agreed by Management, with the final action due for implementation by 31 January 2014.
- 5.29. Compliance with Legislation - Bribery Act**
- 5.30. The purpose of this report was to record the findings of an internal audit review on compliance with the Bribery Act 2010. Anti-bribery and anti-corruption policies and procedures exist within UHI Executive Office that were proportionate to the bribery risks the University faces and to the nature, scale and complexity of its activities. An appropriate individual had been assigned to deliver the message of zero tolerance to bribery and corruption and there was an appropriate level of involvement of the University Court and senior management in the development of the bribery procedures.



- 5.31. At the beginning of the year UHI formalised its arrangements for preventing bribery and corruption in an Anti-Bribery Policy. There was an opportunity to ensure that bribery prevention policies and procedures were further communicated, fully embedded, understood and monitored throughout the organisation.
- 5.32. There was awareness across the UHI Partnership of the need to demonstrate a commitment to prevent bribery and corruption.
- 5.33. Thirteen recommendations for improvement in control were identified, of which eight were prioritised 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 July 2015.

**5.34. Transparent Approach to Costing**

- 5.35. The purpose of this report was to record the findings of an internal audit review of the Transparency Review returns 2011/12. UHI had been developing its processes for TRAC over a period of time. A significant amount of work had been done by UHI to improve its Annual TRAC processes for 2011/12 although there remained some scope for further refinement.
- 5.36. Improvements were made to the arrangements for the oversight of TRAC policy and methods by formalising these through the establishment of a TRAC Steering Group.
- 5.37. The University was unable to submit its TRAC(T) return to the Scottish Funding Council in 2011/12 due to difficulties in obtaining robust information on the costs of teaching delivery from UHI Academic Partners. The University had contacted the Scottish Funding Council concerning this and was awaiting a response.
- 5.38. Five recommendations for improvement in control were identified, of which two were prioritised as Medium, and three as Low priority. Four actions to improve control were agreed by Management, with the final action due for implementation by February 2016.

**5.39. Resource Allocation - Executive Office Budgetary Control**

- 5.40. The purpose of the report was to record the findings of an internal audit review of the UHI Executive Office budgetary control arrangements.
- 5.41. A robust process was in place for 2013-14 budget setting, with budget holders provided with adequate information to assist them in estimating income and expenditure. A budget challenge process was in place at both Finance and Senior Management Team levels as well as processes of review at Higher Education Partnership Policy and Resources Committee and Finance and General Purposes Committee, before final review and approval by Court.
- 5.42. Management accounts were prepared monthly for budget holders which were detailed enough for variances to be identified. Budget holders were required to monitor budget variances and where necessary, further information to determine reasons for variances could be requested by budget holders from their Finance Business Partner. Management accounts, along with a variance analysis, were also provided to the Senior Management Team, Finance and General Purposes Committee and Court on a quarterly basis.
- 5.43. Delegated budgetary responsibilities were in place and, based on testing undertaken, there were processes in place to ensure that the expense authorisation levels in PECOS were in line with the University's Delegated Authorisation Scheme approved in April 2013.
- 5.44. Budget holders interviewed considered that they had adequate skills to undertake their budgetary responsibilities, however they recognise that further budget holder training would be beneficial. The Director of Finance advised that individualised budget holder training is planned to be provided in 2013-14.

- 5.45. One recommendation for improvement in control was identified, which was prioritised as Medium. Action to improve control was agreed by Management, with the final action due for implementation by 31 March 2014.

**5.46. Risk Management**

- 5.47. The purpose of this report was to record the findings of an internal audit review on Risk Management. Whilst UHI was continuing to embed its risk management processes there remained opportunities to secure further improvement by updating the process and procedures to reflect recent changes in UHI structures and by more closely monitoring compliance. The 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.

- 5.48. Two High priority recommendations were made identifying scope to improve control by
- Implementing a robust process to collate into one list information on all UHI risks on a timely basis. This would assist in enabling the regular monitoring of risk register completion and update and help to facilitate the provision of risk information for reporting purposes and review.
  - Improving the transparency surrounding Court's risk appetite for each risk by requesting Court to review the High Level Risk Register and highlight by exception risks (for further review by the Risk Review Group) where the residual risk was not within its risk appetite.

- 5.49. In total, thirteen recommendations for improvement in control were identified, of which two were prioritised as high, six as medium and the remainder as low priority. Actions were agreed by Management, with the final action due for implementation by the 31 July 2014.

- 5.50. On conclusion of the assessment it is the Internal Auditor's opinion that UHI's risk maturity could be classified as 'Risk Defined'. The Chartered Institute of Internal Auditors (CIIA) describe the key characteristics of being risk defined as having the "strategy and policies in place and communicated. Risk appetite defined". The CIIA 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".

**5.51. Research Excellence Framework**

- 5.52. The purpose of this report was to record the findings of an internal audit review on the UHI Research Excellence Framework.

- 5.53. A planned staged process had been defined to facilitate the preparation and review of the UHI Research Excellence Framework ahead of final submission. A governance and reporting structure had been established to oversee and monitor preparation of the UHI Research Excellence Framework. Arrangements to assure the quality of the UHI REF submission were embedded in a number of activities / actions being carried out in preparation for the REF such as a mini stock take, agreement of quality thresholds, mini REF sabbaticals, strategic investment in key appointments, use of independent critical friends and a Mock REF exercise. Regular reports on progress with UHI REF preparations were provided to the REF Steering Group, Research Practitioners Group, Research Committee and to Academic Council. The final decision on the UHI REF submission had been defined as resting with the Principal and Vice-Chancellor, advised by the Vice Principal Research and Enterprise and the Dean of Research.

- 5.54. No recommendations for further improvement in control were identified.

**5.55. Planning – Continuing Student Numbers**

- 5.56. The purpose of this report was to record the findings of an internal audit review on the UHI processes for planning – continuing student numbers. The scope of the audit was to assess the adequacy and effectiveness of the processes and procedures in place to assist in forecasting continuing student numbers.
- 5.57. The four Academic Partners contacted as part of this audit used a range of methods to estimate continuing student numbers for forecasting purposes, with most requiring significant judgement to be applied by academic staff.
- 5.58. The Director of Marketing, Communications and Planning had noted that forecasts of continuing student numbers were not always accurate and put forward a new method for forecasting these at the Partnership Planning Forum in June 2013. This new process, which will be implemented in 2013/14, aims to obtain more accurate data about individuals' intentions and academic ability to progress, as well as using historical trends, to better forecast continuing student numbers.
- 5.59. One recommendation for improvement in control was identified which was prioritised as Medium. Action to improve control was agreed by Management, with the action due for implementation by 31 January 2014.

## 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 reminders or updates on their agreed management actions. The Head of Internal Audit 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.

Categorisation of recommendation	Definition of category
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.

Priority	2008-9	2009-10	2010-11	2011-12	2012-13	Total
High	17	7	33	5	7	69

<b>Medium</b>	26	34	78	40	51	<b>229</b>
<b>Low</b>	17	55	31	15	24	<b>142</b>
	<b>60</b>	<b>96</b>	<b>142</b>	<b>60</b>	<b>82</b>	<b>440</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><b>Audit Ref</b></i>	<i><b>Audit Title</b></i>	<i><b>High</b></i>		<i><b>Medium</b></i>		<i><b>Low</b></i>		<i><b>Total</b></i>	<i><b>Total Completed</b></i>	<i><b>Percentage completed</b></i>
		<i><b>Total</b></i>	<i><b>Completed</b></i>	<i><b>Total</b></i>	<i><b>Completed</b></i>	<i><b>Total</b></i>	<i><b>Completed</b></i>			
<b>09-01</b>	Risk Management 2009	3	3	4	4	3	3	10	<b>10</b>	<b>100%</b>
<b>09-02</b>	Review of the Strategic Delivery Body	4	4	3	3	6	6	13	<b>13</b>	<b>100%</b>
<b>09-03</b>	Curriculum Development and Review	1	1	5	5			6	<b>6</b>	<b>100%</b>
<b>09-04</b>	Business Continuity Planning	6	6	9	8	4	4	19	<b>18</b>	<b>95%</b>
<b>10-09</b>	Data Management Information Accessibility and Security	5	2	12	11	6	5	23	<b>18</b>	<b>78%</b>
<b>09-06</b>	Monitoring Academic Partners' financial position	3	3	5	5	4	4	12	<b>12</b>	<b>100%</b>
<b>10-07</b>	Student Fees			5	5	37	37	42	<b>42</b>	<b>100%</b>
<b>10-19</b>	Transparent Approach to Costing			3	3			3	<b>3</b>	<b>100%</b>
<b>10-05</b>	HR Payroll			3	3	3	3	6	<b>6</b>	<b>100%</b>
<b>10-03</b>	Research Business Planning and Development	1	1	7	7	4	4	12	<b>12</b>	<b>100%</b>
<b>10-06</b>	Student retention and management of withdrawals	2	2	4	4	2	2	8	<b>8</b>	<b>100%</b>
<b>10-08</b>	IT Network Vulnerability Test	10	10	21	21	13	13	44	<b>44</b>	<b>100%</b>
<b>10-04</b>	Business Transformation			3	3	4	4	7	<b>7</b>	<b>100%</b>
<b>10-11</b>	Risk Management 2010	1	1	1	1	1	1	3	<b>3</b>	<b>100%</b>
<b>11-05</b>	Health and Safety	3	3	3	3			6	<b>6</b>	<b>100%</b>
<b>11-01</b>	Procurement	3	3	6	6	1	1	10	<b>10</b>	<b>100%</b>
<b>11-06</b>	Project Management			11	11	2	2	13	<b>13</b>	<b>100%</b>
<b>11-07</b>	Compliance with Equality Law	2	1	5	4	1	1	8	<b>6</b>	<b>75%</b>
<b>11-11</b>	Risk Management 2011	1	1	3	3			4	<b>4</b>	<b>100%</b>

<i><b>Audit Ref</b></i>	<i><b>Audit Title</b></i>	<i><b>High</b></i>		<i><b>Medium</b></i>		<i><b>Low</b></i>		<i><b>Total</b></i>	<i><b>Total Completed</b></i>	<i><b>Percentage completed</b></i>
		<i><b>Total</b></i>	<i><b>Completed</b></i>	<i><b>Total</b></i>	<i><b>Completed</b></i>	<i><b>Total</b></i>	<i><b>Completed</b></i>			
<b>11-04</b>	Strategic Planning	2	2	3	3	1	1	6	6	100%
<b>11-03</b>	IT Network Vulnerability Test - Follow Up	10	10	22	22	11	11	43	43	100%
<b>12-08</b>	Compliance with Freedom of Information Act			11	10	4	3	15	13	87%
<b>12-09</b>	Department of Diabetes and Cardiovascular Research	1	1	6	6	1	1	8	8	100%
<b>12-06</b>	Student Recruitment and Admissions			10	9	3	2	13	11	85%
<b>12-10</b>	Risk Management 2012	1	1	5	5	1	1	7	7	100%
<b>12-04</b>	Student Records Management	2	2	6	6	5	5	13	13	100%
<b>12-04</b>	Governance and Management of SDB	3	3	8	8	6	5	17	16	94%
<b>13-04</b>	UKBA Tier 4 Compliance	3	3	19	6	5		27	9	33%
<b>13-19</b>	North Highland College - sub contract Ballet West			4				4	0	0%
<b>13-09</b>	TRAC 2013			2	1	2		4	1	25%
<b>13-07</b>	Student Retention and Management of Withdrawals 2013			4		2		6	0	0%
<b>13-08</b>	Compliance with legislation - Bribery Act 2010			8		5		13	0	0%
<b>13-02</b>	Resource Allocation - EO budgetary control			1				1	0	0%
<b>13-03</b>	Planning - Continuing Student Numbers			1				1	0	0%
<b>13-10</b>	Risk Management 2013	2		6		5		13	0	0%
		69	63	229	186	142	119	440	368	84%
<i><b>Percentage Complete</b></i>		<b>High 91%</b>		<b>Medium 81%</b>		<b>Low 84%</b>		<b>Total 84%</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 Head of Internal Audit 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 2012 from the Internal Audit Plan 2012/13, 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 UHI 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 paragraph 5.46. Appendix A also includes the internal audit assessment on UHI's risk maturity.

7.6. The review concluded that whilst UHI was continuing to embed its risk management processes there remained opportunities to secure further improvement by updating the process and procedures to reflect recent changes in UHI structures and by more closely monitoring compliance. The work of the Risk Review Group is providing a continuing impetus to improve risk management processes and is better enabling the provision of timely risk information to the Finance and General Purposes Committee and Court.

7.7. Two High priority recommendations were made identifying scope to improve control by:

- Implementing a robust process to collate into one list information on all UHI risks on a timely basis. This would assist in enabling the regular monitoring of risk register completion and update and help to facilitate the provision of risk information for reporting purposes and review.
- Improving the transparency surrounding Court's risk appetite for each risk by requesting Court to review the High Level Risk Register and highlight by exception risks (for further review by the Risk Review Group) where the residual risk was not within its risk appetite.

- 7.8. In total, thirteen recommendations for improvement in control have been identified, of which two were prioritised as high, six as medium and the remainder as low priority. Actions have been agreed by Management, with the final action due for implementation by the 31 July 2014.
- 7.9. On conclusion of the assessment it is the Internal Auditor's opinion that UHI's risk maturity could be classified as 'Risk Defined'. The Chartered Institute of Internal Auditors (CIIA) describe the key characteristics of being risk defined as having the 'strategy and policies in place and communicated. Risk appetite defined'. The CIIA 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'.

#### Control

- 7.10. 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.
- 7.11. All of the internal audits except one undertaken during the year had 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.	7	100%
Medium	Systems and controls which are not fully effective, and failure to improve them could adversely affect operational plans at departmental level.	49	98%
Low	Good practice dictates that some enhancements to existing systems and controls are desirable.	26	92%
<b>Total</b>		<b>82</b>	<b>96%</b>

- 7.12. 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



- 7.13. In August 2011 the Post Title Working Group commissioned with the approval of Court Capita Consulting to undertake a review to prepare an outline business case for a new UHI operating model. The review was completed in the course of September to December 2011 and a report published on the 10 January 2012. Court recognised the need to progress the implementation of the recommendations in the Capita Consulting report on the University operating model and established a Transformation Implementation Group to oversee implementation of the recommendations. The Transformation Implementation Group established a membership consistent with that agreed by Court in March 2012 and held its first meeting on the 3 July 2012. The Transformation Implementation Group is responsible for progressing the 65 recommendations from the Capita 'Options for Change' report which have been grouped into five 'workstreams':
1. Shared services
  2. Financial transparency and sustainability
  3. Research
  4. Student voice
  5. Teaching and learning (human resources)
- 7.14. Court received at its meetings throughout 2012-13 reports on the progress of the work streams from the Transformation Implementation Group.
- 7.15. Following the Capita Consulting "Options for Change" report in January 2012 the Cabinet Secretary for Education and Lifelong Learning convened two meetings of the chairs and principals of UHI and its thirteen academic partners. The Cabinet Secretary subsequently announced, in the Scottish Parliament, the changes he proposed to make to regionalise further education provision in Scotland. In doing so, he asked Dr Michael Foxley, chair of West Highland College UHI, to establish and chair a working group to provide proposals of the governance changes required in UHI to ensure the effective and efficient operation of further and higher education in the Highlands and Islands. This group reported to the Cabinet Secretary on the 30 September 2012. The Report of the Governance Working Group was adopted by the University Court on the 31 October 2012. Since October 2012 arrangements have been progressed in the following areas:
- Review of the Memorandum and Articles of Association
  - Review of the Court and establishment of an interim Shadow Court
  - Establishment of a Further Education Committee
  - Appointment of Associate/Vice Principals and establishment of the Triumverate
- 7.16. In June 2011, the Cabinet Secretary for Education and Lifelong Learning commissioned The Review of Higher Education Governance chaired by Professor Ferdinand von Prondzynski. The Review reported in February 2012 and made a number of recommendations on higher education governance arrangements, including a recommendation for the drafting of a Code of Good Governance for Scottish higher education institutions. The Committee of Scottish Chairs, in recognition of the benefits to be achieved by developing a Scottish Code of Good Higher Education Governance which can serve to embed existing best practice across the sector, undertook to commission the necessary work. The Cabinet Secretary for Education and Lifelong Learning confirmed this approach in his statement to the Scottish Parliament on 28 June 2012.
- 7.17. Along with other Universities and stakeholders, UHI was engaged in January 2013 in the initial consultation process which lead to the formation of a draft Scottish Code of Good Higher Education Governance. The draft Scottish Code of Good Higher Education Governance was published for further consultation in April 2013. UHI reviewed the draft

code and provided a response to the steering group. The final Scottish Code of Good Higher Education Governance was published on the 18 July 2013.

- 7.18. During the year there have been significant changes in government policy and strategy within the higher education and further education sector. These changes have been formalised in the Post 16 education Scotland Bill passed by parliament on the 26 June 2013 and received Royal Assent on the 7 August 2013.
- 7.19. During 2012-13 there have been substantial processes and significant effort expended in reviewing and evaluating UHI's Governance structure and business model. Work in this area is still progressing and will be further consolidated as changes required as a result of the Post 16 Education (Scotland) Act are considered and implemented.

**7.20. Opinion**

**On the basis of the work carried out since 1 August 2012, the Head of Internal Audit 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.**

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

**7.22. Findings**

- 7.23. 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'.
- 7.24. At its meeting on the 23 June 2009, Court approved a Value for Money Strategy, as agreed by Finance and General Purposes Committee on 9 June 2009. On the 29 November 2011 Finance and General Purposes Committee approved a revised Value for Money Policy and Procedures.
- 7.25. The UHI Procurement Policy was approved by the Finance and General Purposes Committee at its meeting on the 30 August 2011, 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.
- 7.26. The policy was further amended in November 2011 to include information on sustainable procurement.
- 7.27. UHI participates in the Advanced Procurement for Universities and Colleges (APUC) Procurement Capability Assessment. The Procurement Capability Assessment seeks to assist organisations in improving their structure, capability, processes and ultimately performance, by attaining the best standards that are appropriate to the scale and complexity of their business. The Assessment is independently assessed by APUC staff and identifies areas for improvement. To date UHI had completed two full assessments in February 2010 and April 2011 with a further interim assessment in December 2011. UHI had continued to demonstrate improved performance at each assessment.
- 7.28. An Annual Procurement Report (1 August 2011 to 31 July 2012) was presented to the Finance and General Purposes Committee at its meeting of the 13 January 2013. The report detailed activities undertaken and provided information on progress with the Procurement Capability Assessment and information on some best performance indicators.
- 7.29. As referenced earlier in paragraph 5.39 Internal Audit reviewed the Executive Office Budgetary Control process. A zero based budgeting exercise had been carried out and had informed the preparation of operational budgets for financial years 2011-12 and 2012-13. The process supported the achievement of value for money through the constructive challenge of departmental budgets and ensuring that resources were aligned to UHI's strategic and operational priorities.

- 7.30. In the course of the year Learning and Information Services have progressed a strategic initiative to establish a shared Learning and Information Service. A Learning and Information Services Shared Services Board was established in July 2011 to oversee this development. The Director of Learning and information Services was seconded to the project on a full time basis with the support of the Learning and information Services Development Programme Manager. In the course of 2012-13 a summit was held at Fort Augustus leading to a Fort Augustus 2 Agreement reaffirming the commitment to work together with Academic Partners to develop a range of shared services supporting the whole UHI partnership. The aim is enhanced student experience, greater ability to deliver equivalence, greater efficiency and effectiveness and improved quality. The project continues to develop with the formation of a 'cost sharing group' company nearing establishment and the detailed data collection and due diligence process underway to inform the development of a business case.

**7.31. Opinion**

**On the basis of the work carried out since 1 August 2012, the Head of Internal Audit concludes that UHI has in place a Value for Money Policy and Procedures which confirms UHI's commitment to achieving value for money from all of its activities, regardless of the method of funding. It further defines the scope, responsibilities, concept of value for money and approaches to assessing value for money to help promote and secure value for money within UHI.**

**There is sufficient evidence (subject to compliance with the Value for Money Policy and Procedures) that there are 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 Head of Internal Audit 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 2012/13
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 2012/13 approved by Audit Committee at its September 2012 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 regular updates 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%	96%
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 2013 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 Head of Internal Audit 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 require 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 Chief Operating Officer and Secretary and an external evidence based peer review assessment.

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

- 9.6. The Head of Internal Audit 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?	88%	12%	0%	0%	0%
2. Were you adequately informed of the audit scope and objectives?	100%	0%	0%	0%	0%
3. Were the appropriate staff consulted for the audit area covered?	100%	0%	0%	0%	0%
4. Did the auditor display a professional, constructive and positive approach during the review?	75%	25%	0%	0%	0%
5. Did the auditor discuss key results/findings with you during the review?	88%	12%	0%	0%	0%
6. Were you given the opportunity to discuss the draft report with the auditor prior to finalisation?	100%	0%	0%	0%	0%
7. Was the report produced to a professional standard?	88%	12%	0%	0%	0%
8. Overall, were you satisfied with the review? Has it been worthwhile and added value to your work?	63%	37%	0%	0%	0%
<b>Percentage Totals</b>	<b>88%</b>	<b>12%</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 the Chief Operating Officer and Secretary completed assessments in July / August 2013, 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 Head of Internal Audit attended a meeting on the 25 June 2013 in Edinburgh with the Heads of Internal Audit of Newcastle University and the University of West of Scotland 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	%	Key
Due professional care	86%	90% - 100% Best Practice
Strategy	84%	<b>60% - 90% Good Practice</b>
Methodology	88%	20% - 60% Partially Compliant
People	77%	0% - 20% Potentially Non-Compliant
Independence	89%	
Quality assurance	81%	
<b>Overall average</b>	<b>84%</b>	

- 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's 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 UHI 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 most managers were maintaining up to date risk registers for their areas of responsibility others were in the process of developing or had yet to develop risk registers. Managers confirmed that they carried out activities to actively manage risk.

<b>A scoring system for assessing risks has been defined.</b>	No	Unlikely, with no consistent approach defined.	Yes <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>	Check the scoring system has been approved, communicated and is used.	Court has defined a scoring system for assessing risks this had been reviewed by the Risk Review Group. A partnership approach to risk scoring and recording was in the process of being taken forward through the Finance Directors Practitioners Group. Academic Partner Audit Committees were in the process of being consulted with a view to implementation on the 1 August 2013. There was an opportunity to assist in improving the transparency surrounding the effectiveness of risk mitigations/controls by using consistent scoring criteria for assessing gross and residual risk.
<b>The risk appetite of the organisation has been defined in terms of the scoring system.</b>	No	No	Yes <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>	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.	Court had defined its risk appetite and also set tolerance levels for approval of risks via its risk scoring system. The tolerance levels for approval were defined in the Revised Process for Risk Identification and Management these required updating to reflect the role of the Risk Review Group, Programme and Project Board and the recent changes to committee structures. The risk appetite has recently been reviewed by the Risk Review Group and efforts made to augment the process by seeking to develop a portfolio approach to risk management.

							<p>The Risk Review Group recognised that at any one time UHI may be carrying a high level of risks in one or more parts of its business, however, UHI should ensure that the number of areas exposed to high risk at any time are minimised and balanced with a low risk approach in other areas.</p>
Processes have been defined to determine risks, and these have been followed.	No	Unlikely	Yes, but may not apply to the whole organisation. <input checked="" type="checkbox"/>	Yes	Yes	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>Court agreed in April 2008 a Revised Process for Risk Identification and Management which defines a governance framework requiring the review and approval of risk registers. There was scope identified to review and update the Revised Process for Risk Identification and Management to reflect the role of the Risk Review Group, the Programme and Project Board and recent changes to UHI management structures. As well as improving transparency surrounding, who is responsible for maintaining risk registers, the hierarchy of UHI risk registers and the escalation paths for reporting of risk information and registers for review and approval. There was also an opportunity to formalise a process of periodic horizon scanning to assist in forecasting longer term or emergent risks.</p> <p>The majority of managers were</p>

<b>All risks have been collected into one list. Risks have been allocated to specific job titles.</b>	No	Some incomplete lists may exist.	Yes, but may not apply to the whole organisation. <input checked="" type="checkbox"/>	Yes	Yes	Examine the Risk Register. Ensure it is complete, regularly reviewed assessed and used to manage risks. Risks are allocated to managers.	maintaining risk registers for their areas of responsibility. However, there was a need to reinforce processes to ensure the use of a standard risk register template. It was noted that there was a need to ensure risk registers were properly completed and updated on a timely basis. Processes to assist in the collation of partnership risk from Academic Partners were still in the process of being agreed.
<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. <input checked="" type="checkbox"/>	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	There was a potential risk that the High Level Risk Register may not be complete as processes to collate timely risk information from all the risk registers were not robust. This may be mitigated to some extent by the Risk Review Group process to update the High Level Risk Register which requires senior managers to provide information on new risks or amendments to existing risks. The High Level Risk Register allocated a risk owner to each risk.  Risks were being assessed in accordance with the defined scoring system.

						have similar scores).	
<b>Responses to the risks have been selected and implemented.</b>	No	Some responses identified.	Yes, but may not apply to the whole organisation 	Yes	Yes	Examine the Risk Register to ensure appropriate responses have been identified.	Review of the high level risk register and lower level risk registers highlighted that responses to risks had been recorded for each risk. Many of the mitigating controls described required on-going commitment to provide mitigation. It was noted that differing approaches were taken to recording the person responsible and action timescale for further actions. For some risks a person responsible had been recorded with no timescale, for other risks an action had been recorded with no person responsible or timescale. There was scope to improve control by ensuring that further actions to mitigate risk were more specific, recorded persons responsible and timescales.
<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. 	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	A Risk Review Group had been established and processes were in place to facilitate the review of the High Level Risks 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 help better manage risk. However, there was an opportunity to

						not implemented.	implement more robust monitoring of low level risk registers to provide assurance that processes to identify, assess and manage risks were operating effectively. The minutes of the Risk Review Group were reported to the Finance and General Purposes Committee, Audit Committee and Court together with the updated High Level Risk Register.
<b>Risks are regularly reviewed by the organisation.</b>	No	Some risks are reviewed, but infrequently. <input checked="" type="checkbox"/>	Regular reviews, probably annually.	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 some lower level 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. The Risk Review Group requires information from risk owners on the actions being taken to

							mitigate risk, the constraints and issues faced and to 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. There was a lack of transparency surrounding the risk appetite (the level acceptable to Court) for each risk. There was scope to improve the transparency surrounding Court's risk appetite for each risk by asking Court to review the High Level Risk Register and highlight by exception risks (for further review by the Risk Review Group) where the residual risk was not within its risk appetite.
<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. Some information on project risk was being reported to the Risk Review Group through the Risk Amendment Form. However, there remained an opportunity to better develop mechanisms for the Risk Review Group to routinely receive information on project risk and its management.
<b>Responsibility for the determination, assessment,</b>	No	No	Limited. <input checked="" type="checkbox"/>	Most job descriptions.	Yes	Examine job descriptions. Check the instructions for	Responsibilities for the management of risk were not being routinely incorporated into all job descriptions for senior

and management of risks is included in job descriptions.						setting up job descriptions.	appointments.
Managers provide assurance on the effectiveness of their risk management.	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.
Managers are assessed on their risk management performance.	No <input checked="" type="checkbox"/>	No <input checked="" type="checkbox"/>	No <input checked="" type="checkbox"/>	Some managers.	Yes	Examine a sample of appraisals for evidence that risks management was properly assessed for performance.	The appraisal process for all senior managers did not explicitly include an assessment of their risk management performance. There was therefore an opportunity to reinforce the importance of appraising senior managers on their risk management performance.
Internal Audit approach	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.		



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



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

**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 ☐

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
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### 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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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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### 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

Name JAMES M FRASER  
Position PRINCIPAL,  
Signed [Signature]  
Date 2 - 8 - 13

## **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 Again Jason has planned his time and resource in as effective and efficient as possible, taking into account risk and competing priorities

### **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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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 ☐

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Yes ☒ No ☐

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Yes ☒ No ☐

Comments

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Yes ☒ No ☐

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Yes ☒ No ☐

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

Yes ☒ No ☐



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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** Jason has added great value to the institution by carrying out his responsibilities in a very proactive and cost effective manner, identifying priorities based on a thorough assessment of risk to the institution - excellent service.

Name *TIONA M LARG*

Position *Chief operating officer/Secretary*

Signed *T M LARG*

Date *29/7/13*