

University of the West of Scotland Internal Audit Service

Terms of Reference

“The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval”

IPPF Attribute Standard 1000 Purpose, Authority and Responsibility
(Institute of Internal Auditors, December 2016)

The Purpose of Internal Audit

The purpose of internal audit is to enhance and protect organisational value by providing independent and objective risk-based assurance, advice and insights to management and the governing body concerning the adequacy and effectiveness of the University’s arrangements for governance, risk management, control and securing value for money. It achieves this purpose through applying a systematic and disciplined approach to the evaluation of those arrangements and through making constructive recommendations to add value or improve performance.

It is a requirement of the Scottish Funding Council that the University has an effective internal audit function.

Authority

The University of the West of Scotland has established an in-house Internal Audit Service to fulfil this purpose. The Service receives its authority from, and is accountable to, the University Court, via the Audit & Risk Committee and the Principal.

The Head of Internal Audit Service reports to the Chair of the Audit & Risk Committee on functional matters. The Audit & Risk Committee retains responsibility and oversight on all matters relating to the direction, processes and performance of the Internal Audit Service, as defined in the Committee’s Remit. For day-to-day administrative purposes, the Head of Internal Audit Service reports to the Executive Director of Finance & Infrastructure.

The Head of Internal Audit Service has a right of direct access to the Chair of Court, the Chair of the Audit & Risk Committee, and the Principal & Vice-Chancellor.

The Internal Audit Service has authority to access all of the institution’s records, personnel, and physical assets necessary to fulfil its responsibilities. Equivalent rights of access to records, personnel and physical properties held by other bodies funded by the University should be in place, secured as a condition of funding.

The Internal Audit Service will be accountable for the confidentiality and safeguarding of records and information accessed.

University of the West of Scotland Internal Audit Service

Terms of Reference

Responsibilities

It is the responsibility of Court, the Principal & Vice-Chancellor and management to design, implement and operate arrangements for governance, risk management, controls and value for money.

The Head of Internal Audit Service is responsible for giving an annual opinion to Court and the Principal & Vice-Chancellor, through the Audit & Risk Committee, on the adequacy and effectiveness of those arrangements. As a basis for forming this opinion, the Head of Internal Audit Service is responsible for undertaking an annual risk-based programme of assurance activities, approved by the Audit & Risk Committee on behalf of Court. This risk-based methodology should consider risk and control concerns identified by management and specific areas highlighted for consideration by Scottish Funding Council and other funding bodies.

The programme of assurance activities will have the following objectives:

- Appraisal of the soundness, adequacy, and application of arrangements for governance, risk management and internal controls. Although risk based and with specific focus on the identification and management of risks threatening the achievement of the University's strategic goals, this appraisal will also consider the continuing effectiveness of core background enabling processes;
- Confirmation of the extent to which systems of internal control ensure compliance with laws, regulations, policies and procedures, and other applicable standards;
- Confirmation of the extent to which assets and interests entrusted to or funded by the University are properly controlled and safeguarded from loss arising from improprieties, including fraud, corruption and other irregularities;
- Appraisal of arrangements associated with significant corporate change projects, confirming the operation of due process and providing assurance on the quality of information supporting key decisions;
- Confirmation that accounting and other information is reliable as a basis for producing financial, statistical and other reports used for external and internal reporting and decision making;
- Confirmation that systems of control established and operate to promote the economic, efficient and effective use of resource in the achievement of intended outcomes.

Assurance activities will be structured and designed to deliver reasonable but not absolute assurances regarding the adequacy and effectiveness of relevant arrangements. Reasonable assurance is a high level of assurance, but does not guarantee to detect all potential areas for improvement.

The Head of Internal Audit Service is responsible for:

University of the West of Scotland Internal Audit Service

Terms of Reference

- Maintaining a professional audit staff with sufficient knowledge, skills, and experience to meet the requirements of these terms of reference;
- Issuing periodic reports to the Audit & Risk Committee summarising the results of audit activities;
- Assisting in the investigation of suspected fraudulent activities within the University;
- Providing consulting and advisory services to management that add value and improve the University's governance, risk management and control processes, subject to independence, objectivity and competency considerations and without assuming management responsibility;
- Establishing a quality assurance and improvement programme to ensure the effective operation and development of internal audit activities;
- Advising the Audit & Risk Committee of emerging trends and successful practices in matters of governance, risk management, controls, and value for money.

The Internal Audit Service will be allocated sufficient resources to deliver the approved annual programme of work. The Head of Internal Audit Service may engage third party service providers to secure specialist or other resources where these are necessary for delivery of that programme of work and following consultation with the Chair of the Audit & Risk Committee and the Vice-Principal Resources.

Independence and Objectivity

The delegated authority granted to the Internal Audit Service, together with the reporting lines and accountability arrangements for the Head of the Internal Audit Service, and the responsibilities reserved by the Audit & Risk Committee, ensure that the Internal Audit Service retains a sufficient degree of independence within the University.

The Head of Internal Audit Service will ensure that the Service remains free of all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of the selection of audit subject matter, scope, procedures, frequency and timing of reviews, and report content. In the event that the Head of Internal Audit Service determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform auditing activities objectively and in such a manner that they have reasonable confidence in their findings and conclusions, that no quality compromises are made, and they do not subjugate their judgement on audit matters to others.

Members of the Internal Audit Service hold no executive role, direct authority over, or responsibility for the design, implementation or operation of the University's systems, processes or procedures, other than those directly connected with the operational management needs of the Internal Audit Service itself.

University of the West of Scotland Internal Audit Service

Terms of Reference

Members of the Internal Audit Service do not prepare or maintain operational records, make management decisions, or engage in any other activity that could be construed as compromising independence.

Members of the Internal Audit Service will take no responsibility for directing the activities of University staff who are not directly assigned to the performance of internal auditing tasks.

The Chair of the Audit & Risk Committee will be consulted and their inputs will be taken into account when setting the annual objectives of the Head of Internal Audit Service and in subsequent appraisals of performance against those objectives.

Scope of Activities

Assurance Services

All of the University's operations and activities fall within the remit of the Internal Audit Service, irrespective of the source of funding of those operations and activities. The scope of work will not be restricted to the audit of systems, procedures and controls necessary to form an opinion on the financial statements, but will also include operational arrangements in the management and delivery of teaching, learning, research, and professional support activities.

The operations and activities of the University's agents and collaborative partners are within the Internal Audit Service remit to the extent that:

- The third party is applying funds sourced from or through the University to deliver the University's objectives; or
- The third party is utilising the University's systems or other resources to deliver its own objectives.
- The Internal Audit Service will not normally deliver assurances directly to those third parties. Where appropriate, it may advise or recommend actions to University management responsible for managing the relationship with the third party where opportunities for improvement are identified.

It is not within the remit of the Internal Audit Service to question the appropriateness of strategy, policy or academic judgement. However, the Internal Audit Service remit does include examination of the arrangements through which strategy, policy and academic decisions are made, communicated, monitored and reviewed, and related risks are identified and managed.

The inclusion of any operation or activity within the scope of the Internal Audit Service's remit does not necessarily mean that all operations and activities will be subject to audit review. However all operations and activities will be evaluated as part of an on-going risk based assessment of audit needs and priorities and may be incorporated into the programme of work presented to the Audit & Risk Committee for approval based on the results of that assessment.

University of the West of Scotland Internal Audit Service

Terms of Reference

The Head of Internal Audit Service will advise Court, (through the Audit & Risk Committee) of the risks to which it and the University may be exposed through any limitation of audit scope or coverage. Where the Head of Internal Audit Service believes that such limitations are unacceptable, this will be formally reported to the Chair of Court, the Chair of the Audit & Risk Committee, and the Principal & Vice-Chancellor.

Consulting Services

Consulting services include any activities not primarily designed with the objective of providing assurance but which utilise the independence, objectivity, knowledge and insight of internal auditors to add value to the University's governance, risk management, internal control or value for money arrangements. Examples would include provision of advice, facilitation of events and training, or the conduct of investigations.

The Internal Audit Service may provide such consulting services to the University at the request of Court, Audit & Risk Committee, or management, subject always to resource constraints and the need to maintain independence and objectivity.

Any request for consulting services that cannot be met without diverting resource from core assurance activities will only be accepted following consultation with and approval from the Chair of the Audit & Risk Committee.

Although consulting services are not designed primarily for assurance purposes, knowledge and understanding gained in the course of performing those services may contribute to the overall evidence base supporting assurance opinions, or to inform future assurance needs assessments.

Recommendations for improvements

The Internal Audit Service will recommend actions to improve the adequacy and effectiveness of the University's governance, risk management and internal control arrangements or to secure improved efficiency or economies within those arrangements identified in the course of all assurance and consulting engagements.

It is management's responsibility to consider the recommendations and to:

- Agree to implement the recommended action, or to suggest and agree alternative actions that achieve the necessary improvements; or
- Decide not to implement any change and to accept any associated risk exposures.

Where the Internal Audit Service does not reach an agreement with management on the appropriateness of management's response to a recommendation, the matter will be escalated through the Principal, the Audit & Risk Committee and ultimately Court to determine whether to accept the risks of not taking any action or to implement suitable mitigating actions.

The Internal Audit Service will monitor management's progress in implementing agreed actions and will provide periodic updates on the status of all actions which are material to the assurance opinions given.

University of the West of Scotland Internal Audit Service

Terms of Reference

Reporting to management and the governing body

Assurance and Consulting Services Reports

The Head of Internal Audit Service will prepare reports for each assurance engagement undertaken, setting out an overall opinion for the scope of the work performed, the key findings supporting that opinion, recommendations for improvements to the arrangements covered by the engagement, and management's responses to the report. Final reports will be presented to management responsible for the activities within the scope of the engagement, including members of the Vice-Chancellor's Executive Group with portfolio oversight for those activities.

The format and content of reports from consulting services will be determined by the nature and the scope of the consulting engagement and will be agreed in advance with those commissioning the work.

Where appropriate to the subject matter, copies of reports may also be circulated to the relevant committees of Court or Senate with governance oversight of those areas.

The Head of Internal Audit Service will promptly report any serious weaknesses in internal control systems, significant fraud, or other major risk or control exposures identified in the course of audit work to the relevant member of the Vice-Chancellor's Executive Group, and then to the Principal & Vice-Chancellor, and the Chair of the Audit & Risk Committee, or the Chair of Court.

Progress Reporting to Audit & Risk Committee

A summary progress report will be presented at each of the Audit & Risk Committee's scheduled meetings, highlighting key issues and recommendations from audits completed in the period, future audit plans, the status of previously reported recommendations and other pertinent matters providing assurances concerning the resourcing and management of the internal audit service.

The Executive Summary sections of all internal audit reports completed in each reporting period will be circulated to members of the Audit & Risk Committee alongside the periodic summary progress report.

Annual Report

The Annual Report prepared by the Head of Internal Audit Service will express an opinion on the adequacy and effectiveness of the University's arrangements for governance, risk management, internal control and securing value for money. The report must relate to the University's financial year and must also take account of any significant matters affecting the opinion up to the date of finalising the report.

A copy of the annual report will be submitted to Scottish Funding Council following approval by Court.

University of the West of Scotland Internal Audit Service

Terms of Reference

Liaison with other Assurance Providers

The Internal Audit Service will liaise with the University's external auditors and will take appropriate steps to ensure that the work of internal and external auditors is co-ordinated to avoid unnecessary duplication of effort and to optimise the assurances obtained by the University from its internal and external audit services.

The Internal Audit Service will also liaise with the audit functions of the University's funding bodies.

The Internal Audit Service will also work closely with other functions within the University having responsibilities for independent compliance monitoring (e.g. Resilience & Safety, Compliance, Quality Enhancement), with the objective of complementing the work of those functions.

Standards and Approach

The work of the Internal Audit Service will be undertaken in accordance with the mandated requirements of the International Professional Practices Framework of the Institute of Internal and other regulations and standards specified by the University's funding bodies.

This Terms of Reference document fulfils the purpose of an Internal Audit Charter as referred to in Attribute Standard 1000 within the IPPF.

Quality Assurance and Improvement Programme

The Head of Internal Audit Service will implement measures to monitor the effectiveness of the service and its compliance with Standards, and to identify opportunities for improvements to its practices.

These measures will include:

- Agreed working practices and performance standards for all audit work, including embedded quality management activities to ensure compliance at an individual project level;
- Performance indicators;
- Annual internal self-assessment against professional standards;

An externally facilitated peer assessment against professional standards conducted at least once in every five year period.

The Head of Internal Audit Service will provide an annual statement of assurance to senior management, the Audit & Risk Committee, and University Court confirming the Service's conformance to professional standards supported by the relevant performance measures.

The Audit & Risk Committee will consider and approve these performance measures and may seek an independent assessment of the effectiveness of the Internal Audit Service.

**University of the West of Scotland
Internal Audit Service**

Terms of Reference

Review and Approval of the Terms of Reference

The Head of Internal Audit Service is responsible for performing a periodic review of the Terms of Reference to confirm that these remain aligned to relevant standards and regulations, the priorities and practices determined by the Audit & Risk Committee and other relevant factors.

Following completion of each review, the Head of Internal Audit Service is responsible for submitting the Terms of Reference, incorporating any proposed revisions as necessary, for consideration and approval by the Audit & Risk Committee with the Audit & Risk Committee advising Court of the actions taken.