



# UHI North, West & Hebrides

Internal Audit 2023/24

Annual Report

August 2024

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# 1. Introduction

The prime responsibility of the Internal Audit Service (IAS) is to provide the Board via the Audit & Risk Management Committee with an objective assessment of the adequacy and effectiveness of management's internal control systems.

We conduct our activity within the overarching framework of the Institute of Internal Auditors, Definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing, together with the UK Public Sector Internal Audit Standards, first introduced in April 2013.

In line with these Standards, we have developed a robust quality assurance process to ensure that each of our activities and reports are of a high and consistent standard. Quality assurance activity includes interim reviews during the internal audit process and an extensive final review before reports are issued to clients and other stakeholders. We actively seek to improve the services we deliver through a programme of CPD, training, networking and engagement with internal peers, as well as by piloting new ways of working.

We had an extensive external assessment undertaken against these standards in November 2023. The assessment was undertaken by the Chartered Institute of Internal Auditors who concluded:

"We are pleased to report that the Wbg Services LLP (Wbg) (formerly Wylie and Bisset LLP) Internal Audit Department conforms with the Standards, as well as the Definition of Internal Auditing, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard of quality in Internal Auditing."

The Chartered Institute of Internal Auditors also highlighted our compliance with all 64 standards of the IPPF.

This Annual Report should be considered by the Audit & Risk Management Committee prior to the Committee submitting their annual report to the Board.

## 2. Executive Summary

### Overall Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion, UHI North, West & Hebrides did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. We would however highlight that we provided a weak level of assurance surrounding the Follow Up review due to the number of actions outstanding and a previously rated high action, being partially implemented. We have also raised a high rated recommendation in the Credits funding review in relation to the coding of Fee Waiver students. Please refer to section 3: Audit Findings for further information.

Our fieldwork was carried out between September 2023 and July 2024, and we have not undertaken any further internal audit assignments at the time of this report.

The overall findings and conclusion of each report are highlighted in Section 3. As can be seen from the summary in Section 3 all areas included in the Operational Plan for 2023/24 have been completed.

In forming our opinion, we have carried out the following work:

- | A review and appraisal of financial and other controls operated by the College;
- | A review of the established policies and procedures adopted by the College;
- | An assessment of whether or not the internal controls are reliable as a basis for producing the financial accounts;
- | A review of accounting and other information provided to management for decision making;
- | Compliance and substantive audit testing where appropriate; and
- | A review of the College's procedures in place to promote and secure value for money.

The analysis of performance indicators for the internal audit work carried out in the year is included at section 5.

## 2. Executive Summary (continued)

### Basis of Opinion

As the Head of Internal Audit at UHI North, West & Hebrides we are required to provide the Audit & Risk Management Committee with an opinion on the adequacy and effectiveness of the College's risk management, control and governance processes.

In giving our opinion, it should be noted that assurance can never be absolute. The most that we can provide to the Audit & Risk Management Committee is reasonable assurance that there are no major weaknesses in the College's risk management, control and governance processes.

In assessing the level of assurance given, we have considered:

- | All audits undertaken during the year ended 31 July 2024;
- | Any follow-up action taken in respect of audits from previous periods;
- | Any significant recommendations not accepted by management and the consequent risks;
- | The effects of any significant changes in the College's objectives or systems;
- | Any limitations which may have been placed on the scope of internal audit;
- | Matters arising from previous reports to the Audit and Risk Management Committee;
- | The extent to which resource constraints may impinge on the Head of Internal Audit's ability to meet the full audit needs of the College;
- | What proportion of the College's audit need has been covered to date;
- | The outcomes of our quality assurance processes.

# 3. Audit Findings

## Summary of Work Undertaken

The following table summarises the audit work undertaken in 2023/24. The grading structure used in our reports can be found in Appendix A.

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
EMA Audits	1	2	Complete	N/A	-	-	-
SSF Audits	2	3	Complete	N/A	-	-	1
Credits Audits	2	2	Complete	N/A	1	1	1
Payroll	6	5	Complete	Substantial	-	1	4
Integration of HR Systems & Policies	6	6	Complete	Substantial	-	1	2
Corporate Governance	4	4	Complete	Substantial	-	-	2
Follow Up Review	4	4	Complete	Weak	1	7	16
IT Systems Integration	6	6	Complete	Substantial	-	2	1
<b>Carried Forward</b>	<b>31</b>	<b>31</b>			<b>2</b>	<b>12</b>	<b>27</b>

### 3. Audit Findings

#### Summary of Work Undertaken

The following table summarises the audit work undertaken in 2023/24. The grading structure used in our reports can be found in Appendix A.

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
<b>Brought Forward</b>	<b>31</b>	<b>31</b>			<b>2</b>	<b>12</b>	<b>27</b>
Overall Financial Controls	8	8	Complete	<b>Substantial</b>	-	1	1
Non-SFC Income	6	6	Complete	<b>Substantial</b>	-	2	1
Audit Management	5	5	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>50</b>	<b>50</b>	-	-	<b>2</b>	<b>15</b>	<b>29</b>

### 3. Audit Findings

#### HIGH PRIORTIY RECOMMENDATIONS

The following high priority recommendations were raised during the year.

Area	Finding	Recommendation	Management Response
Fee Waiver Coding, Credits Audit	<p>All Fee Waiver students should be correctly coded.</p> <p>During our review, we picked a sample of 10 students across the Colleges and it was found that 2 of the students from West Highland College should not be fee waiver but should be College fee waiver. These records have been updated. We then chose 2 more students from West Highland College and again, there was no fee waiver evidence for these 2 and then 1 more included within the original sample.</p> <p>We also found that there were 10 students at West Highland College who had been incorrectly stated as fee waiver. These have now been updated. We then picked another sample of 3 from the new list of fee waiver and found that for 2 of the 3, the fee waiver code on the FES 2 did not match the fee waiver code on the signed fee waiver forms for these 2 students. It was stated that this was an administration error and have now been updated.</p> <p>Where students are recorded as fee waiver students but actually aren't, there is a risk that the College are claiming funds that they shouldn't be.</p>	<p>We recommend that the College ensures that all fee waiver students are correctly coded.</p> <p>We also recommend that the College staff take care when matching the fee waiver code from the fee waiver form to the FES 2.</p>	<p>All Fee Waiver samples which were coded wrongly were from West Highland. North Highland have advised them of the issue and will share their Fee Waiver processes.</p> <p><i>Responsible officer:</i> Registry Officer <i>Implementation date :</i> 31 December 2023</p>



# 3. Audit Findings

Area	Finding	Recommendation	Management Response
Overdue Statutory Obligations, Estates Management, Follow up	<p><b>Original Finding</b> PPM Schedule is used to ensure that estate is being monitored, checked and repaired appropriately.</p> <p>From our review, we found that the following two areas of statutory compliance are overdue for inspection in specific areas of the College: 1. Fire equipment servicing; and 2. Emergency lighting.</p> <p>We note that management were aware of these inspections being overdue and are actively working to resolve this. The Estate Manager advised that high priority areas of maintenance are prioritised but, in these instances, they had been incorrectly categorised, and resources were not available to prioritise the investigations.</p> <p>Where maintenance is not prioritised effectively, resources can be inefficiently allocated. This may impact on the College failing to meet statutory compliance. (Continued over the page)</p>	<p>We recommend that repairs are logged, completed, and monitored to ensure they are completed within corresponding timeframes.</p> <p>We also reiterate a full review of the categorisation of inspections is undertaken. Following this they should be reviewed regularly to ensure high priority areas are correctly identified and subsequently, inspected in a timely manner.</p>	<p>As noted above, further work was required to complete this action. This work seeks to ensure that across the merged college, PPM tasks be handled in a timely and consistent manner across all NWH sites. An updated policy "UHI NWH Estates Maintenance and Improvements Policy" has been drafted that governs these requirements including categorisation of tasks. Inspections and Testing tasks are nominally categorised as cat4 – Scheduled Maintenance, however, that category description notes:</p> <p>"Overdue Inspections and testing tasks that are required to ensure safety-critical statutory compliance (e.g., fire equipment servicing, emergency lighting testing) shall be re-categorised as Safety-Critical". Tasks recategorized to Cat1 – Safety Critical imply that these tasks must be prioritised and rectified urgently. (Continued over the page)</p>

### 3. Audit Findings





Area	Finding	Recommendation	Management Response
Overdue Statutory Obligations, Estates Management, Follow up (continued)	<p>Original Recommendation We recommend that a full review of the categorisation of inspections is undertaken. Following this they should be reviewed regularly to ensure high priority areas are correctly identified and subsequently, inspected in a timely manner.</p> <p>Finding from our 2023/24 Follow Up Both EML and FFE servicing were completed successfully in April 2023. In early 2024, along with combining merged sites on to the system, categories were added to make clear priority of each item and the basis of this priority (e.g. statutory compliance, high reactive costs etc.). This should help the user identify what takes precedent with conflicting deadlines.</p> <p>Progress has been made in the last year, but actions are still required to progress this recommendation through to completion</p>		<p>Implementation of this policy shall be the responsibility of managers within our estates team. This policy shall be published following internal review in Sem 1 2024/25 (Target Date Oct 2024).</p> <p>Estates tasks are currently logged, completed and monitored in an estate wide database. The status of all recurring inspections and testing tasks are reviewed as items recur to ensure actions are appropriately logged, categorised and actioned.</p> <p><i>Responsible Officer:</i> Doug Rattray <i>Implementation Date:</i> 31 October 2024</p>

## 4. Benchmarking

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the previous financial year.

Area	High	Medium	Low	Total	
<b>EMA Audits</b>					
Average number of recommendations in similar audits	-	-	-	-	↔
Recommendations at the UHI North, West & Hebrides	-	-	-	-	
<b>SSF Audits</b>					
Average number of recommendations in similar audits	-	1	-	1	↔
Recommendations at the UHI North, West & Hebrides	-	-	1	1	
<b>Credits Audits</b>					
Average number of recommendations in similar audits	-	-	2	2	↻
Recommendations at the UHI North, West & Hebrides	1	1	1	3	
<b>Payroll</b>					
Average number of recommendations in similar audits	-	-	1	1	↻
Recommendations at the UHI North, West & Hebrides	-	1	4	5	
<b>Integration of HR Systems &amp; Policies</b>					
Average number of recommendations in similar audits	-	-	1	1	↻
Recommendations at the UHI North, West & Hebrides	-	1	2	3	
Total number of recommendations carried forward	-	1	4	5	↻
Total Recommendations at the UHI North, West & Hebrides carried forward	1	3	8	12	

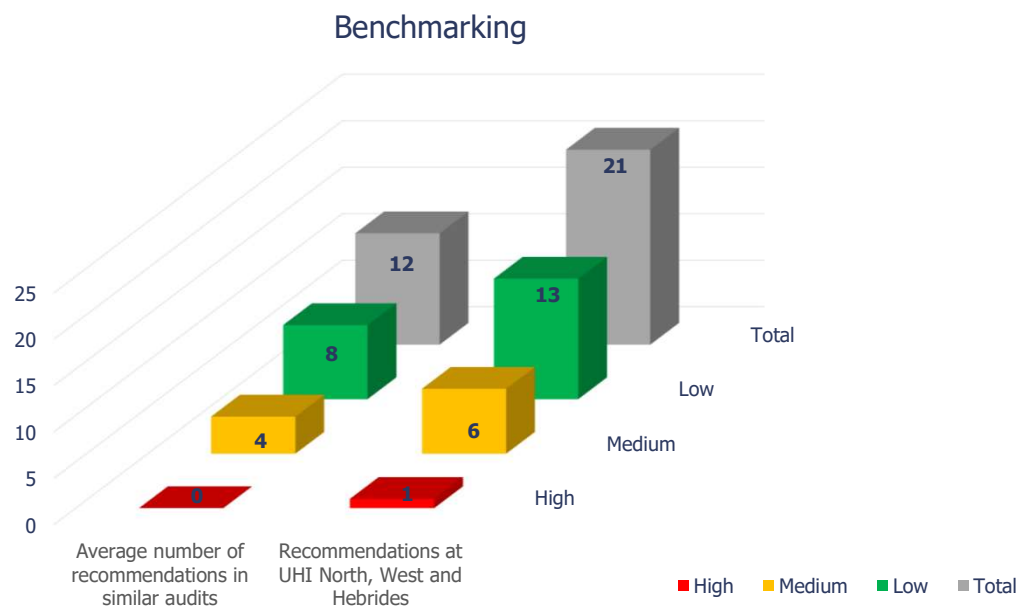
## 4. Benchmarking

Area	High	Medium	Low	Total	
Total number of recommendations brought forward	-	1	4	5	
Total Recommendations at the UHI North, West & Hebrides brought forward	1	3	8	12	
<b>Corporate Governance</b>					
Average number of recommendations in similar audits	-	1	2	3	
Recommendations at the UHI North, West & Hebrides	-	-	2	2	
<b>IT Systems Integration</b>					
Average number of recommendations in similar audits	-	2	1	3	
Recommendations at the UHI North, West & Hebrides	-	2	1	3	
<b>Overall Financial Controls</b>					
Average number of recommendations in similar audits	-	-	1	1	
Recommendations at the UHI North, West & Hebrides	-	1	1	2	
<b>Average number of recommendations in similar audits</b>	-	4	8	12	
<b>Recommendations at the UHI North, West &amp; Hebrides</b>	1	7	13	21	

As demonstrated on the earlier page, UHI North, West & Hebrides has a higher number of recommendations in comparison with the Colleges it has been benchmarked against.

## 4. Benchmarking

We have set out below in graphical format an analysis of the Benchmarking totals by grade of recommendation made.



As demonstrated on the earlier page, UHI North, West & Hebrides has a higher number of recommendations in comparison with the Colleges it has been benchmarked against.

## 5. Key Performance Indicators

Performance Indicator	Target	Actual
Internal audit days completed in line with agreed timetable and days allocation	100%	100%
Draft scopes provided no later than 10 working days before the internal audit start date and final scopes no later than 5 working days before each start date	100%	100%
Draft reports issued within 10 working days of exit meeting <i>*(the Follow up and Integration of HR Systems and Policies reports were issued outwith the target, this was due to an extended review process)</i>	100%	*80%
Management provide responses to draft reports within 15 working days of receipt of draft reports <i>** (Management responses were outwith target for the Payroll, Integration of HR Systems, Follow up and IT Systems Integration reviews (3 months, 2 months and 11 days respectively)).</i>	100%	**60%
Final reports issued within 5 working days of receipt of management responses <i>(*** The follow up report was delayed due to the additional work required to management requirements)</i>	100%	***90%
Recommendations accepted by management	100%	100%
Draft annual internal audit report to be provided by 31 August each year	100%	100%
Attendance at Audit & Risk Management Committee meetings by a senior member of staff	100%	100%
Suitably experienced staff used on all assignments	100%	100%

# Appendix A

## Grading Structure

# A. Grading Structure

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately

For each recommendation, we make we assign a grading either as High, Medium or Low priority depending upon the degree of risk assessed as outlined below:

Assurance	Risk	Classification
High	High risk	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Management Committee and addressed by Senior Management of the UHI North, West & Hebrides as a matter of urgency
Medium	Medium risk	Significant issue or weakness which should be addressed by the UHI North, West & Hebrides as soon as possible
Low	Low risk	Minor issue or weakness reported where management may wish to consider our recommendation