



Terms of Reference

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Document Author: David Williamson

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Internal Audit Service

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The Purpose of Internal Audit

The purpose of the Internal Audit Service is to enhance the University's ability to create, protect and sustain value by providing Court (through the Audit & Risk Committee) and senior management with independent, risk-informed, and objective assurance, advice and insights relating to:

- Successful achievement of the University's strategic objectives.
- Adequacy and effectiveness of arrangements for governance, risk management, control activities and securing value for money.
- Quality of information used in decision making.
- Reputation management and credibility with stakeholders.
- Ability to serve the public interest.

Legal and regulatory context

It is regarded as good corporate governance practice for any organisation of scale or complexity to establish an internal audit function.

Scottish Funding Council (SFC) requires, as part of its Financial Memorandum with Higher Education Institutions, that all Scottish universities establish an effective internal audit service. The Financial Memorandum also mandates specific topics that must be considered when planning the work of the Internal Audit Service.

Professional Standards

The work of Internal Audit Service is undertaken in conformance with the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework (the IPPF), comprising Global Internal Audit Standards (GIAS) and Topical Requirements. The Head of Internal Audit Service will report annually to the Audit & Risk Committee and to the Vice-Chancellor's Executive regarding the Internal Audit Service's conformance with the IPPF which will be assessed through a quality assurance and improvement programme.

Conformance with the IPPF is recognised by SFC as an indicator of an effective internal audit service.

The Internal Audit Service will also seek to apply the principles of the Chartered Institute of Internal Auditors' Internal Audit Code of Practice, to the extent that these are proportionate to the scale of the Internal Audit Service and the governance requirements applicable to higher education.

Mandate

The Internal Audit Service's Mandate is the authority and direction granted by the University's Court (through the Audit & Risk Committee) to enable the Service to fulfil its purpose, including satisfaction of the requirements of SFC.

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Authority

The University of the West of Scotland has established an in-house Internal Audit Service to fulfil the purpose defined above and to satisfy the requirements of Scottish Funding Council. The Service receives its authority from, and is accountable to, the Audit & Risk Committee and the Principal & Vice-Chancellor.

The Internal Audit Service is authorised to have full and unrestricted access to all functions, data, records, information, physical properties and personnel relevant to the performance of its responsibilities and functions. The Head of Internal Audit Service is accountable for ensuring compliance with laws and regulations concerning the confidentiality and safeguarding of information accessed.

The exercise of this authority will always be within the boundaries determined through approved University policy, procedures and regulations.

Independence, Positioning and Reporting Relationships

The Head of Internal Audit Service is a senior leadership role within the University reporting functionally to the Chair of Audit & Risk Committee and administratively to the Vice-Principal (Finance & Infrastructure). The Head of Internal Audit Service also has a right of direct access to the Principal & Vice-Chancellor, to the Chair of Audit & Risk Committee, and to the Chair of Court.

Decisions concerning the Head of Internal Audit Service's appointment, removal or changes to their administrative reporting relationships must be reached in consultation with, and with the approval of, the Chair of Audit & Risk Committee. The appointment or removal of the Head of Internal Audit Service must also be notified to SFC as a condition of the Financial Memorandum.

This positioning establishes the necessary degree of independence and freedom from management interference for the Internal Audit Service while also enabling effective communications and engagement with senior leaders throughout the organisation.

To preserve independence and objectivity, members of the Internal Audit Service are not permitted to:

- Direct, manage or operate any University functions or to take responsibility for the design or implementation of University systems, processes or procedures other than those directly related to the delivery of internal audit services as documented below.
- Direct or supervise the activities of staff not engaged the performance of internal audit services.

In the event that it is deemed necessary for individuals involved in internal audit activities to take on wider responsibilities, this shall only proceed following approval from Audit & Risk Committee and with the establishment of appropriate safeguards to avoid any real or perceived impairment to the independence and objectivity of the Internal Audit Service or of individuals within it.

Authorised Internal Audit Services and Activities

The Internal Audit Service is authorised to perform the following services and activities:

- **Assurance Services:** These are structured examinations of selected activities evaluating the adequacy and effectiveness of the design and operation of those activities against suitable

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performance standards minimising risks to successful performance. Design evaluations are conducted against an identified benchmark, standard, legal or regulatory requirement. Operational evaluations are based on analysis and testing of processes and controls, and performance evaluations are based on outcome measures, including consideration of how processes are aligned to management expectations on the application of University values and ethical standards.

- **Advisory Services:** The Internal Audit Service may provide management with advice or insights based on its knowledge and experience of governance, risk management, internal control or value for money, and its experience of the University and other organisations. Advisory Services may take the form of ad hoc enquiries, a defined advisory project or as an advisory member of a working group. Advisory Services may not be undertaken where to do so may impair the Internal Audit Service's ability to provide Assurance Services.
- **Investigations:** The independence and objectivity of the Internal Audit Service, together with its knowledge and experience of data gathering and analysis enables the Service to support management in the conduct of fact-finding investigations under whistleblowing and allegations of financial misconduct

The generation of recommendations and the agreement of management action plans arising from authorised internal audit activities is not considered to be having responsibility for direction, design, implementation or performance of operational activities; responsibility for assessing, accepting and acting on the recommendation remains with the process owner who may reject or refine their response to the recommendation.

Remit

All the University's operations and activities fall within the remit of the Internal Audit Service, irrespective of the source of funding for those operations and activities. This includes academic processes and systems involved in the delivery of learning and teaching, student engagement, research, innovation and knowledge exchange.

It is not however within the Internal Audit Service's remit to question the validity of strategic, policy or academic decisions or judgements. The Service may however consider the quality of information provided to support such decisions or judgements and the methods through which decisions are communicated and associated risks identified and managed.

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 physical environment, technologies or other resources to further the third party's objectives.

Where the activities of a third party are within the scope of an internal audit engagement, the engagement will still be conducted primarily for the benefit of the University. No assurances will be provided to the management of the third party and any opportunities for improvement action related to the third party will be advised to University personnel responsible for the relationship with the third party.

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The inclusion of any operation or activity within the remit of the Internal Audit Service does not mean that all operations and activities will be the subject of an assurance or advisory engagement.

Governance and Oversight

The Head of Internal Audit Service is required to submit an **Annual Report to Court** and to the Principal & Vice-Chancellor, setting out the Internal Audit Service's opinion on the adequacy and effectiveness of the University's arrangements for governance, risk management, internal control and securing value for money based on the programme of audit activities undertaken during the reporting period. This report is intended to support Court in reaching its own opinion concerning the adequacy and effectiveness of the University's governance, risk management and internal control arrangements. Once approved by Court, it is a requirement that the Annual Report is submitted to SFC.

The Head of Internal Audit Service is responsible for the development and maintenance of a rolling **Internal Audit Programme**, specifying the proposed assurance activities that will enable the annual opinion to be formed and any additional planned advisory activities. This is to be reviewed and updated on a termly basis. Assurance topics are selected and prioritised using a risk-informed assurance needs assessment process. The programme will outline the resources required to deliver the programme, identifying any gaps or risks associated with the availability of those resources.

The baseline Internal Audit Programme is to be presented to Audit & Risk Committee for approval. Any subsequent changes to the rolling Programme will also be presented to Audit & Risk Committee for approval.

The Head of Internal Audit will present a termly **Progress Report** to Audit & Risk Committee. This will provide Audit & Risk Committee with information concerning the progress achieved in delivering the Internal Audit Programme, the outcomes of assurance activities completed in the period, the status of previously agreed recommendations and management action plans arising from completed audits, and other information necessary for the Committee to form an opinion on the effectiveness of the Internal Audit Service. This must include confirmation of the continuing independence of the function, the adequacy of resources available to the function, conformance with professional standards or, where there is matter that prevents positive confirmation, provide details of any impairment or deficiency and the actions taken or required to address the situation.

Charter

The Internal Audit Service's Charter outlines the respective responsibilities and commitments of the Audit & Risk Committee, the Vice-Chancellor's Executive, and the Internal Audit Service necessary to achieve the Mandate.

Ethics, Values and Competencies

The Head of Internal Audit Service is responsible to Audit & Risk Committee for ensuring that all staff engaged in the delivery of internal audit services:

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- Conform to the professional standards and ethical values expressed in IPPF.
- Understand, respect, meet and contribute to the University's values, ethical expectations and policies, and recognise conduct that is contrary to those expectations.
- Have the necessary skills, knowledge and other competencies necessary to perform the work assigned to them and have the opportunity to engage in continuing professional development and education to enhance their skills, knowledge and other competencies.

Internal Audit Methodology

The Head of Internal Audit Service is responsible to Audit & Risk Committee for the development, documentation and implementation of an internal audit methodology consistent with the requirements of the IPPF and the scale and nature of the internal audit services to be delivered.

This methodology will include:

- Arrangements for consulting key stakeholders to determine their assurance priorities based on the University's strategic objectives, risks and initiatives.
- Standards and benchmarks for determining the significance of issues identified and the thresholds for escalating reporting of such issues to Audit & Risk Committee.
- Standards and benchmarks for monitoring and reporting on management responses to recommendations raised to address weaknesses and opportunities identified through the delivery of internal audit services, including decisions to accept identified risks.

Assurance services will be designed to provide reasonable but not absolute assurances regarding the adequacy and effectiveness of the arrangements under examination. Reasonable assurance sets a high threshold for confidence in the validity of the reporting findings and opinions generated from the work, but is not guaranteed to detect all errors, exceptions or opportunities for improvement.

In exceptional circumstances, where the scope of the work is constrained, a limited assurance opinion may be delivered. A limited assurance opinion will usually provide the same degree of confidence in the outcomes of the work but that the scope of the opinion will be confined to the project or specific transactions considered by the work.

Resource Management

The Head of Internal Audit Service is responsible for determining the level of resource required by the Internal Audit Service to deliver the programme of activities approved by Audit & Risk Committee, and for engaging with senior management to secure those resources (people, technology and other operational and capital expenditure requirements).

The Head of Internal Audit Service is accountable to VCE for the effective deployment of allocated resources.

The Head of Internal Audit Service, working with senior management as necessary, is responsible for ensuring that the Internal Audit Service has access to University colleagues, information and other resources needed to deliver the approved programme.

In the event that the ability of the Internal Audit Service to achieve its programme of activities is constrained through limitations on access to resources, the Head of Internal Audit Service will initially raise those constraints with senior management and will comment on the constraints,

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their impact and any actions to limit the impact within the termly Progress Report. Where no such constraints exist, this will be acknowledged in the termly Progress Report.

Liaising with other Assurance Providers

The Head of Internal Audit Service is responsible for liaising with the University's external auditors responsible for expressing an opinion on the University's financial statements, and for taking the appropriate steps to ensure that the work of the internal and external auditors is co-ordinated to avoid unnecessary duplication of effort and to optimise the assurances obtained by the University from each source.

The Head of Internal Audit Service will also liaise as necessary with the audit functions of the University's funding bodies and will give consideration to assurance reports issued by other external assurance providers.

The Head of Internal Audit Service will work closely with other functions within the University having assurance responsibilities (e.g. Risk & Resilience, Legal Services, Quality Enhancement & Standards Team) with the objective of complementing the work of these functions.

Quality Assurance and Improvement Programme

The Head of Internal Audit Service is required to develop, implement and maintain a Quality Assurance and Improvement Programme (QAIP) consistent with the requirements of GIAS, including the agreement of performance measures to assess progress towards achievement of the function's objectives.

The QAIP will address the requirement for quality control at the level of individual projects and the continuous monitoring and improvement of performance throughout the year. The Head of Internal Audit Service will ensure that an independent external review of the Internal Audit Service's conformance with professional standards is conducted at least once in every five-year period. Audit & Risk Committee and VCE will be consulted on the approach, scope and timing of this external review and on the selection of an appropriate independent reviewer.

The Vice-Principal (Finance & Infrastructure) is responsible for agreeing the objectives of the Head of Internal Audit Service and for subsequent performance appraisal against those objectives. The Vice-Principal (Finance & Infrastructure) is responsible for seeking input from Audit & Risk Committee concerning the objectives and performance appraisal of the Head of Internal Audit Service.

The Head of Internal Audit Service will develop an Improvement Action Plan based on any findings arising from internal and external quality assessments. These plans will be shared with Audit & Risk Committee who will be responsible for approving those plans, monitoring completion of actions within agreed timescales and agreeing suitable performance measures for the Internal Audit Service.

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Audit & Risk Committee is responsible for ensuring that the information generated through the QAIP is sufficient to enable it to assess the effectiveness of the Internal Audit Service and to report on this in the Committee's annual report to Court.

Review, Approval and Publication of the Terms of Reference

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

On completion of this review, the Head of Internal Audit Service is responsible for submitting the Terms of Reference, incorporating proposed revisions as necessary, for consultation with the Vice-Chancellor's Executive and for approval by the Audit & Risk Committee.

The Terms of Reference are to be published on the University website.

Approved by Audit & Risk Committee on 25th March 2025

Endorsed by Court on 28th April 2025