

# **ASSURING QUALITY OF HIGHER EDUCATION THROUGH INTERNAL AUDIT: A CASE STUDY ON UNIVERSITY OF MALAYA**

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## **ABSTRACT**

Audit, a crucial process in any Quality Management System (QMS) is popularly defined as a systematic, independent and documented practice for obtaining and evaluating evidence objectively to determine the extent to which audit criteria (conformance and effectiveness) are fulfilled. In an institution of higher learning, the audit process is used to ensure that performance and effectiveness of the management of academic department activities and other supporting processes are in line with quality standards set by the institution.

University of Malaya (UM) became the first public university in Malaysia to implement a QMS across all departments and faculties within the institution and being accredited for it. In December 2002, UM attained the MS ISO 9001:2000 Certification for Quality Management System and this international recognition was also acknowledged by the Malaysian Book of Records in 2006. With this certification, the Standard necessitates UM to conduct internal audit at planned intervals. During the early stages, audits were conducted every 6 to 8 months and later when the implementation of QMS had stabilized it was conducted on an annual basis.

UM is a large institution and requires a considerable number of staffs to be trained as auditors; with the intention of involving them during audit exercises. In ensuring competent auditors, these staffs were sent to various audit courses. To date, UM has more than 400 trained internal auditors of which 80 are certified lead auditors. Since 2002, there have been eight internal audits conducted and the results and important outcomes of these exercises are used to continually improve the management system of the various departments in UM. However, the experience in the audit process in UM is not without challenges. Among the challenges faced included lack of cooperation from auditees and/or their representatives, audit time constraints, service period of auditors, and number of auditors. Despite these shortcomings, the audit process was able to identify the strengths and weaknesses of the management of various core processes across the institution and more importantly, some departments actually carried out self-audits indicating positive perception and general acceptance. The knowledge gained is then used to improve the management system of the departments in order to provide better quality services.

**Keywords:** Internal Audit, Auditors, Auditees

## 1. INTRODUCTION

The term 'audit' is used to describe a varied range of processes. According to MS ISO 9001: 2000 standard, audit is a systematic, independent, and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which audit criteria (conformance and effectiveness) are fulfilled. In academic institutions, an audit may be used as a structured process to check the fitness, quality and performance of the institution's core activities including its arrangements for maintaining and improving the quality and standards of its service provision. It is simultaneously used to assess the sufficiency (fitness of purpose) of the overall management of the institution and to determine the effectiveness of that management to see that it meets the quality and standards of education (as well as all associated services provision) that it delivers (Jackson, 1996).

Internal academic quality audit does not directly evaluate the quality of education or service. Primarily, it focuses on the extent to which the procedures and their state of affairs are:

- i. available or present and, suitably maintained,
- ii. adhered to and practised accordingly, and,
- iii. applicable (or relevant) as well as effective in meeting their intended purposes.

Jackson further states that an audit exercise (or system) can contribute to the overall judgement regarding the quality of education and/or its standards by providing information that will facilitate the assessment process. Therefore, internal audits can be used to explore quality management processes systematically in order to provide assurance that they are as workable and practical as they were first set out to be.

University of Malaya (UM) is the oldest public University in Malaysia. It was established in 1905 and it offers a wide range of courses covering professional and non-professional degrees. Currently, the university caters for approximately 29,451 students of which 16,500 are undergraduates and the remainder, postgraduates. UM has a sum of 4,600 staffs (of which 1566 are academic staffs). In addition, there are about four thousand employees working at University Malaya Medical Centre (UMMC), the teaching hospital directly affiliated to the university. The University's mission statement reads as "to advance knowledge and learning through quality research and education for the nation and for humanity". It has also established a vision - to be an internationally renowned institution of higher learning in research, innovation, publication and teaching.

## 2. AUDIT and UM's QMS

Incidentally, University of Malaya is the first public institution of higher learning in Malaysia that has sought a comprehensive ISO accreditation. The university embraced Total Quality Management (TQM) system based on MS ISO 9001: 2000 standard in June 2001. The accreditation process was fully achieved on 24<sup>th</sup> December 2002 when it was

conferred the Award of Certification by SIRIM QAS International, Malaysia's leading certification, inspection and testing body.

A vital requirement of the TQM system based on MS ISO 9001 is to plan and conduct internal audit at regular intervals determined by the organisation. UM conducted its first internal quality audit exercise in July 2002, and was followed by other seven audits thereafter (Table 1). In the early years, UM has carried out its internal audits every 6 – 8 months, however, when the QMS system became fully entrenched, beginning 2005 the audit schedule was changed to an annual exercise.

Table 1: Internal audits conducted in University of Malaya

Audit	Date	No. of Auditors	Audit Findings
1/2002	23 – 25/7/2002	110	898 (417 NC + 481 Obs)
2/2003	17 – 21/3/2003	111	551 (288 NC + 263 Obs)
3/2003	15 – 19/9/2003	147	612 (328 NC + 284 Obs)
4/2004	24 – 28/5/2004	165	555 (300 NC + 255 Obs)
5/2004	25/11 – 2/12/2004	185	522 (261 NC + 261 Obs)
6/2005	31/5 – 8/6/2005	176	446 (275 NC + 171 Obs)
7/2006	12 – 19/6/2006	198	469 (315 NC + 154 Obs)
8/2007	25/6 – 2/7/2007	185	451 (298 NC + 153 Obs)

The table above illustrates that the number of NCs (incidences of non-compliance) found from the most recent audit exercise had decreased by half the number ever since the QMS was first introduced in the year 2002. There is also a gradual decrease in NCs and observations throughout the years. These findings show that the whole university enterprise has become more aware and more perceptive towards quality mechanisms. It also denotes increasing accountability as well as responsibility towards its primary customers in the discharge of all its service provision (especially within the core process of teaching and learning).

### 3. SELECTION OF AUDITORS

Some institutions consider that direct participation of a large number of academic staff in audit processes is a key element in the implementation strategy, in developing ownership of the process and in providing opportunities for personal development (Jackson, 1996). A large and complex institution such as UM requires a large number of auditors to ensure the conduct of an overall efficient audit exercise. Accordingly, a number of staffs from various departments and centres of responsibility, which included both senior and junior staff

members, academicians and support staff, were trained as internal auditors. Potential auditors were directly nominated by their respective management representatives.

Training and the eventual selection of prospective auditors was facilitated by the Quality Assurance Management Unit (QAMU). It is important to accurately identify auditor so that optimum training and enculturation may be conducted to achieve the intended objectives of an audit exercise (Reid & Ashelby, 2002). To date 417 staff members (253 academics and 164 non- academics) have been trained as internal auditors and among these, 86 have been sent for advanced courses (jointly organised by the Malaysian SIRIM QAS International and the Australian ST3 Group) to be certified as lead auditors.

UM auditors are trained to prepare a set of audit notes consisting of ‘audit questions’ which are devised to set appropriate boundaries and enable outcomes to be achieved on a short timescale. These audit notes predict suitable evidence to be used as initial basis for enquiry. The size of an audit team assigned to each centre of responsibility varies according to the anticipated workload, ranging from as small as four up to a maximum of fifteen team members. Naturally, larger departments or faculties are visited by audit teams with larger number of members. Each team is steered by a team leader. It is customary that the team leader appointed is someone who has undergone the advance Lead Auditors course.

Amongst the tasks and responsibilities of the team leader is to conduct pre-audit enquiries, to facilitate the planning of audit visits and to effectively guide his or her team members. The leader and his members must be able to communicate effectively with the audit representative (auditee) as this is important to solicit or gather the correct amount and value of information that clearly and efficiently manouvers the whole audit process. Finally, the group should be able to prepare an objective and comprehensive audit report.

#### **4. AUDIT PROCESS**

The development of auditing mechanisms, although quite important has received relatively little attention compared to other decision making exercises. This is surprising considering that the quality, reliability, and transparency of published audit-TQM result are essential to the success and improvement of the system and the auditors can benefit by the employment of such mechanisms during the auditing procedure (Pasiouras, 2007). The focus of an audit activity involves;

- i. Assessing compliancy (checking and verifying that what is done is good enough and satisfies requirements) or,
- ii. Examining and enquiring (so as to explore how well a job accomplishment is done and how it may be improved).

Most internal audit policies attempt to combine the accountability and enhancement purposes but the proportionate burden of such purposes may vary between institutions, or between different audit activities in the same institution and between the similar audit activities undertaken at different times (Jackson, 1996). In the same way that practices by

other higher education institutions such as Swansea Institute (Reid & Ashelby, 2002), Wolverhampton University (Doherty, 1993), and Ulster University (Ellis, 1993) has been developed, the UM internal audit process follows a methodology designed to stand apart from all the university's other procedures and to comment on their effectiveness. However, due to time and staff constraints, the audit process normally involves sampling and site visits by auditors. During these site visits, auditors interview person(s) in-charge of a certain process in order to assess whether the said responsibility centre or department has adhered to the working instructions stated by the UM QMS.

Internal audit at UM has been design to ensure compliance towards all requirements of ISO 9001 standard, quality documents of UM QMS (which also include government circulars and directives, acts or enactments, etc.), and other university criteria (which include rating, ranking and the research university status) set by the Ministry and/or other relevant agencies. During the audit process, the auditors seek verification on whether the activities and related products are in compliance with the requirements of UM QMS documents. Auditors not only examine the efficiency of the procedures documented in UM QMS but will also assess the suitability of the procedures with regard to quality objectives set by the organisation. Non-conformance or non-compliance (NC) is issued to departments or responsibility centres should they fail to fulfil any of the requirements. For less serious cases, an observation (or sometimes termed as an opportunity for improvements) is issued instead.

## **5. AUDIT FINDINGS**

Most academic institutions recognize that audit activities provide opportunity for the acquisition and development of qualities and skills which might subsequently be applied in any aspect of work. Audit conducted in Swansea Institute not only managed to highlight the strengths and weaknesses in the institute's process and procedures but also to become more openly self-critical about its own shortcomings (Reid & Ashelby, 2002). In UM, the numbers of NCs and observations that have been issued during each audit varies; depending on the audit focus. A study on the trends of the audit findings shows that majority of the NCs and observations that have been issued were related to aspects such as product realisation, document control, and work environment. The departments and/or responsibility centres use these audit findings to strengthen their working procedures and/or modify inappropriate working instructions that were discovered during the audit process. Eventually, the quality of the services delivered and as well as products generated were enhanced.

A summary of the findings of an audit exercise are presented to university staffs and the management at the end of an audit exercise. Within a stipulated time, an official written report is prepared and forwarded to the relevant parties. The audit report is a very important document as it constitutes the authoritative and permanent record of the audit, its findings, the issues identified and recommendations for change or improvement. The auditee checks and verifies the accuracy of the contents of the report so as to avoid

misconception prior to general viewing. Such practice builds confidence and trust in the audit process.

Participation in audit activities can be viewed as providing an important opportunity for personal and professional development as well as a means of securing commitment to the entrenched quality objectives of the institution. In this aspect, an internal audit fulfils both accountability and functions as an enhancement tool. In achieving or instilling accountability, the audit mechanism provides an independent means for checking and verifying that the arrangements which are in place for maintaining and enhancing the quality and standards of education are appropriate and effective, and that responsibility of relevant parties are being properly discharged. On the other hand, the internal audit enhances the management of the institution by helping the institution to understand itself better, and to identify the strengths and weaknesses of its policies, practices and procedures (Jackson, 1996).

Although the audit process can provide clear opportunities for institutions to improve and advance, the process is itself not free from various challenges. During the early stages of implementing the QMS, parties who had little knowledge about audit process refused to fully cooperate during an audit exercise. Commitment and strong support from top management are especially important in order to ensure all members of the staff give full cooperation towards the smooth running of an audit process which in turn leads to the successful implementation of the QMS. Other problems include quantity of auditors that needed to be trained each year (to either replace and/or relief those who resigned, retired, or on long leave, or were promoted to administrative posts), the maximum duration of time an auditor is placed in service and, audit time constraints. For example, longer audit days allow an auditor to conduct a more thorough and comprehensive audit, however, this would consume too much of their time which should be otherwise spent on their core activities, namely teaching and research.

## **6. CONCLUSION**

In conclusion, the credibility of audit as an effective process is dependent upon several factors, one of which is that audit activities and auditors are made accountable to the institutional quality assurance system or in some cases the senior management group. From this case study, it can be deduced that it would be a gross error to construe that the implementation of a quality system in academic institutions is insignificant to the overall enhancement of the institution of higher education. Implementing quality management systems encourages academic institutions to maintain proper records, which in turn enable them to measure progress in key areas and established benchmarks. As pointed by Sohail (2003), a set of accurate, timely and relevant data can be of great assistance to timely decision making.

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