

UNIVERSITY OF GLASGOW

Audit Committee

Minute of Meeting held on Wednesday, 20 May 2009
in The Dean's Conference Room

Present:

Dr Paul Brady, Mr Hamish Guthrie, Ms Margaret Manson, Mr Neil Menzies, Ms Elizabeth Simpson (Vice-Convenor), Mr Kevin Sweeney (Convenor)

In attendance:

██████████ (Ernst & Young), Mr Robert Fraser (Director of Finance), Mr Colin Gibson (Deloitte & Touche LLP), ██████████ (Deloitte & Touche LLP), Mr David Newall (Secretary of Court), The Principal, Mr Robert Speir (Group Financial Controller), Ms Paula Vinaccia (Clerk)

Apologies:

Attendees: ██████████ (Ernst & Young), ██████████ (Deloitte & Touche LLP)

AUDIT/2008/31. Welcomes

The Convenor welcomed Dr Paul Brady and Mr Neil Menzies to their first regular meeting of the Audit Committee.

AUDIT/2008/32. Minutes of the meeting held on 25 February 2009

The Minutes were approved subject to a minor change to the phrasing of minute 26.

AUDIT/2008/33. Matters Arising

There were none.

AUDIT/2008/34. Audit Planning Report

External Audit informed the Committee that their audit approach would be, as in prior years, to review the accounts of the University, Subsidiaries and Trust and to give a true and fair view on whether funds had been used for the purposes for which they were intended. External Audit commented on the key areas and timetable for the forthcoming audit:

Impact of Economic Recession

Consideration would be given to the potential impact on the University's financial position and reporting of the ongoing global financial difficulties. Whilst External Audit were not aware of any significant increases in the time taken to pay creditors and in the receipt of cash from debtors, this would be reviewed.

Pension Obligations and Related Legal Actions

The key assumptions and assets underlying the FRS 17 pension obligation disclosure would be reviewed and any related provisions and significant judgemental accruals would be assessed. There was likely to be a worsening of the pension situation at the balance sheet date, in particular with regard to the University Pension Scheme (UGPS). The Audit Committee queried whether retirement age had been equalised when the

pension rules had changed as there could be a potential liability if this was not the case. The Director of Finance agreed to report back to the Committee on this.

VAT (Partial Exemption Methodology and Capital Goods Scheme Liability)

Consideration would be given to the University's VAT arrangements and calculations to ensure they are appropriately accounted for within the financial statements.

Accounting for Research Balances

Research and development balances will be reviewed to ensure they are appropriately recognised within the financial statements.

Accounting for Fixed Assets

The audit would cover the proper identification and disclosure of fixed asset acquisition and disposals. The review would consider whether the carrying value of fixed assets was appropriate in the current economic environment.

The Committee approved the External Auditor's proposed approach to the audit of the University's Accounts as set out in their report.

AUDIT/2008/35 Internal Audit Update

Internal Audit informed the Committee that the Audit Plan was 70% complete and provided a summary of the results of work carried out in the following areas: Commercial Pricing; Pension Scheme Administration; Corporate Communications; Performance and Development Review Processes; Sports and Recreation Services; Student Services Relocation. The key points noted were as follows:

Commercial Pricing

It was found that while there was an adequate commercial pricing policy in place, there were inconsistent processes and pricing structures across the various University departments potentially resulting in missed opportunities. The findings relating to the Veterinary Faculty had been discussed at the February 2009 meeting and action was being taken to address current weaknesses through a new staff appointment.

Pension Scheme Administration

A review of the systems and controls over the administration of the various pension schemes reported no recommendations for improvement.

Corporate Communications

The main control point was that there was a high level of user upload access to the University's website. Justification should be obtained to ensure this level of access was required. The Committee noted that this situation arose in part because of the need to allow academic experts to update material on their areas of specialist knowledge.

Performance and Development Review Processes

The audit identified that there was no direct link between Performance and Development Review and pay/incentivisation which Internal Audit stated was characteristic of the sector. The Committee agreed that there was a need to strengthen this link.

Sports and Recreation Services

A number of recommendations were made to improve the controls of cash collection and end of day reconciliations.

Student Services Relocation

Internal Audit confirmed that the relocation had been efficient and the focus of further review would be on efficiencies and service improvements expected as a result of the restructure of services.

IT Resource and Management

The Committee noted that this was work in progress and asked for clarification on whether it would be beneficial to change the current structure of IT support, in particular the deployment of resources between IT Services and academic departments. The Committee expects to consider the final report at its next meeting.

Other

The Committee noted that current activity included a Whistleblowing Investigation, Carbon Reduction Commitment, PAYE Workshop, IT Security Workshop and Finance Office Administrative Review.

The Committee agreed to a modification to the Audit Plan to defer two projects until next year – External Partnerships and the development of a Financial Controls Framework. These would be replaced by a review of Research Management.

It was suggested that future reports should include an indication of Management's response to Internal Audit recommendations, including timetables for action and any areas of disagreement.

AUDIT/2008/36 Implementation of Outstanding Priority 1 and 2 Recommendations

The Committee was updated on the degree of implementation of the audit recommendations.

Finance Office

The Group Financial Controller reported that 95 action points had been dealt with in total and that 41 required to be progressed including 10 priority 1 points. The following was highlighted:

Debt Management

Debt management was being centralised and this would be progressed further with the introduction of the Student Lifecycle Project. Web payments were being introduced by the Accommodation Service.

Sales Invoicing

Sales invoicing was being rolled out across the University.

Cash Collection

The number of collection points would be reduced and this would be progressed by the introduction of the Student Lifecycle Project.

Ledger Restructure and Maintenance

A focus was being placed on restructuring the ledger and then work would be progressed to improve the balance sheet monthly reconciliation process.

Ledger Journal Access

This would be progressed after the ledger restructure had been implemented.

Purchase to Pay

The purchase to pay interfaces for catering and estates should be implemented in the following year.

The Committee queried the timing of the implementation of the recommendations and noted that in many instances this was reliant on the progress of the Student Lifecycle Project.

Departments other than the Finance Office

The Secretary of Court reported that with regard to 2006/07 audits there had been 104 recommendations and 22 remained outstanding. The following was noted:

Campus Security

As a result of the Campus Security Audit a Working Group had been set up which focused on improving electronic access and CCTV systems. A review of the current monitoring electronic systems had resulted in a report highlighting the risks for each University building. Requirements had been prioritised and an annual programme of improvements would be implemented.

IT

A great deal of work had been done to improve the procedures regarding disaster recovery, to tighten network management and security and to comply with software licensing requirements. The capacity of the central back-up and restore facility had been substantially increased and several departments that had hitherto operated their own disaster recovery systems had now transferred to the central facility. A software package had been obtained that audits software held on personal computers, identifying any software for which licences are not held. This tool is being used for all centrally-managed PCs, but does not yet operate University-wide. The Committee noted that, while much had been achieved in the last year, more remained to be done; a particular concern noted was that approximately 30% of staff used email systems other than the one provided centrally: the reasons for this would need to be determined.

There were 42 recommendations in 2007/08 with 11 still to be implemented. The main points to note were the requirement for a single system to collect and approve postgraduate research applications and the need for improved market analysis, an issue that would be addressed through a proposed new appointment. The new HR/Payroll System would include a model to capture and manage training requirements and performance and development reviews.

17 of the 32 2008/09 recommendations had still to be addressed including establishment of a central project management office which was under consideration and completion of monthly absence returns online which would be implemented as part of the new HR/Payroll System.

The Committee thanked the Secretary of Court and Group Financial Controller for their reports and requested that future reports include a note clarifying the timescale for implementation.

AUDIT/2008/37 Audit Committee Self-Assessment Evaluation

Since its last regular meeting the members of the Audit Committee had met to discuss their requirements in order to perform their role more effectively. The Committee noted the report.

AUDIT/2008/38 Risk Management

The Committee noted the paper reporting the 13 top rated risks to the University and the additional information on their current status. The Committee was informed that the risks surrounding budgets and income delivery were the subject of consideration as part of the recent budget setting process the outcome of which would be reported to Court in June. It was agreed that the Principal should request that the Deans take

responsibility for implementing the Risk Management Policy and that senior managers should be required to provide Statements to the Principal stating whether risks had been assessed, procedures were in place and action had been taken to address the risks. The Director of Finance undertook to provide additional information explaining the ratings.

AUDIT/2008/39 Proposed Change to Accounting Policy on Capitalisation of Equipment and Software

To ensure that the Committee were able to review a change to policy before the year end process for 2008/09, this item was being presented to Audit Committee prior to approval by Finance Committee. The Committee noted that the proposed change enabled a reduction in the current administrative burden in dealing with capitalisation of assets and that there would be no significant impact on the Income and Expenditure Statement. The Committee did not raise any concerns at this stage.

AUDIT/2008/40 Guide for Members of Higher Education Governing Bodies in the UK

At the suggestion of the Audit Committee Convener, Court had agreed that Audit Committee take forward a comparison of current governance practice with the Committee of University Chairs Code of Practice. It was agreed that Internal Audit should undertake a similar exercise to that taken for the audit code.

AUDIT/2008/41 Any Other Business

41.1 Update

The Group Financial Controller informed the Committee that a Financial Reporting Standard (FRS) was due to be issued on Heritable Assets. The Finance Directors Group was considering the conversion of International Financial Reporting Standards (IFRS) with UK General Accounting Principals (GAAP) which would potentially impact in 2012 and consideration was being given to standardising FRS 17 assumptions across the Sector.

41.2 Internal and External Audit Contracts

The Committee noted that the Internal and External Audit contracts were due to end in 2009, though both had options to extend, and agreed that this should be taken forward outwith the regular meeting.

41.3 Value for Money

The Committee asked whether the University had procedures in place for ensuring value. Internal Audit informed the Committee that Value for Money (VFM) tended to be included as part of each review and would not normally give rise to a separate report. Internal Audit undertook to consider the issue of Value for Money audits and would advise the Committee on how it could be satisfied that this was being addressed.

41.4 Farewell

The Committee noted that this was the last Audit Committee meeting to be attended by the Principal, who was retiring from the University. The Convener thanked him for his commitment and support of the Committee and wished him all the best for the future.

AUDIT/2008/42 Date of Next Meeting

Thursday, 1 October 2009

*Prepared by: Paula Vinaccia, Clerk to Committee, x.xxxxxxx@xxxx.xxx.xx.uk
Last modified on: Thursday, 1 October 2009*