

UNIVERSITY OF ABERDEEN

AUDIT COMMITTEE

Minutes of meeting held on 29 January 2009

Present: Mr A Amoore (Convener), Mr G Ross, Mr B Lockhart and Professor L Ritchie, with Mr S Cannon, Ms I Bews, Ms J Sewel and Mrs R MacLure (Clerk).

Mr [REDACTED], Ms [REDACTED] and Mrs [REDACTED] were in attendance from Deloitte.

Apologies for absence were received from Mr R Bickerton and Mr A Mathieson

1. PRESENTATION

The Audit Committee received a presentation on RAE2008 from Professor Dominic Houlihan and Ms Nicki Matthew. The Convener thanked Professor Houlihan and Ms Matthew for their presentation, on behalf of the Committee.

2. MINUTES

The Committee approved the minutes of the meeting held on 20 November 2008.

3. MATTERS ARISING

3.1 UNFULFILLED CONTRACT (*Minute 18 of 20.11.08 refers*)

The University Secretary reported that a Court hearing date had been set in respect of the claim against the University regarding an unfulfilled consultancy contract by one of its employees. The University's Counsel had expressed a high degree of confidence in the University's position.

4. INTERNAL AUDIT STATUS UPDATE

The Committee received the Internal Audit Status Update (AC08-09:23) from Deloitte, noting that three reports were on the agenda for today's meeting.

5. INTERNAL AUDIT REPORTS

The Committee received two Internal Audit reports from the 2008-09 Annual Plan, and an additional desktop review of the Committee's effectiveness. The Committee was asked to comment on the new reporting format, which Mr [REDACTED] confirmed conformed to standard Deloitte practice.

The Committee approved the new format, which moved to a 4-tier priority scale. Deloitte considered that increasing numbers of findings were categorised "Level 2" and that these could be more helpfully split into higher- and lower-risk items (Levels 2 and 3 respectively). Henceforth, recommendations would be categorised as Priority levels 1 to 4, with 1 being the most serious, and 4 being "advisory". Update reports would be received on Priority Levels 1, 2 and 3 only.

5.1.1. CAMPUS SERVICES: RETAIL OPERATIONS (*Report 1 of 2008-09, AC08-09:24*)

The Committee received the Internal Review of Campus Services: Retail Operations (*Report 1 of 2008-09*).

The report contained two Priority level 1 recommendations, four at Priority level 2 and four at Priority level 3.

The Committee noted that the timing of this audit, which had immediately followed the Union Bar review (*Report 15 of 2007-08, AC08-09:07*), had not allowed sufficient time to embed "lessons learned" across Campus Services. The University had already been aware of the pertinent issues and was satisfied that implementation of the recommendations was already underway.

It was agreed that Deloitte should follow up this report in six months' time.

The Committee approved the Report.

5.1.2 SCHOOL OF ENGINEERING (*Report 2 of 2008-09, AC08-09:25*)

The Committee received the Internal Review of the School of Engineering (*Report 2 of 2008-09*), which contained one Priority 2 and four Priority 3 recommendations.

The auditors indicated that the report was generally positive, and the only issue which the auditors wished to highlight was the lack of formality around Committee structures within the School. The Committee acknowledged that some of the difficulties arose from there being a succession of Interim Heads of School. It was agreed that the report should be brought to the attention of the Head of College of Physical Sciences, to enable promotion of a consistent approach between Schools.

In considering the report, the Committee discussed the interfaces between the work done by internal audit and other assurance processes which directly address issues of academic quality. The Committee sought and was given reassurance that the differing remits would be respected so as to avoid duplication or overlap of work.

The Committee approved the Report.

6. UNIVERSITY UPDATE REPORT ON OUTSTANDING RECOMMENDATIONS (AC08-09:09)

The Committee received the University Report on Outstanding Recommendations and asked for an update on ongoing issues at its next meeting.

7. FEEDBACK ON INTERNAL REVIEWS

7.1 UNION BAR (AC08-09:27)

The Committee received and noted feedback from the Operations Manager on the recent internal review of the Union Bar.

7.2 ALUMNI RELATIONS (AC08-09:28)

The Committee received and noted feedback from the Associate Director on the recent internal review of Alumni Relations.

7.3 HEALTH AND SAFETY (AC08-09:29)

The Committee received and noted feedback from the Senior Health and Safety Adviser. It was noted that a comment regarding "poor administration" referred to a misunderstanding regarding the date of commencement of fieldwork, and was accepted by Deloitte.

8. AUDIT COMMITTEE EFFECTIVENESS (AC08-09:30)

The Committee received a desktop review by Deloitte of Audit Committee Effectiveness. Mr [REDACTED] reported that Deloitte had experience of undertaking similar reviews with other clients and that the Convener had agreed that Deloitte should co-ordinate this exercise, taking the pro-forma at Appendix 17 of the the CUC "Handbook for Members of Audit Committees in Higher Education" as a starting point.

In considering some sections of the review, the Committee discussed its governance role, and how this compared to the CUC model. The University Secretary confirmed that the University had a slightly different governance structure in place, and agreed to give a presentation on the University's recently revised Governance arrangements at the next meeting.

One area which Deloitte had identified as being capable of improvement was in the publication of an Annual Plan of Work for the Committee. It was agreed that it should receive a presentation on the regular pattern of business underpinning the Committee's schedule at the next meeting.

The Committee agreed that the report provided positive feedback on its effectiveness, but also agreed that it was important not to become complacent.

The Committee agreed to discuss its own effectiveness by way of an informal discussion prior to the start of business at the meeting of 23 April 2009. The meeting was to be rescheduled to commence at 10.30am.

It was further agreed that, in future, all Committee meetings would start at 10.30am.

9. QAV AUDIT OF TRAC (AC08-09:31)

The Committee received the Research Councils UK Quality Assurance and Validation (QAV) of TRAC. The Director of Finance introduced the report, highlighting its finding that the University had under-costed Estates costs, and that this had now been adjusted to reflect that of comparator institutions. The Committee noted that the planned Deloitte internal review of TRAC had been postponed due to the imminence of the QAV exercise, and that the finding relating to a lack of internal audits was therefore circumlocutious.

The recommended changes had been incorporated into the recent TRAC return. The Committee noted that Deloitte would conduct a review of TRAC later this year.

10. INTERNAL AUDIT SERVICE TENDERING PROCESS (AC08-09:32)

The Committee received and noted a paper reminding it of the requirement for the University to advertise for the tender for Internal Audit Services, for a contract to commence on 1 August 2009, and that the process was now underway.

11. SFC REVISED AUDIT REQUIREMENTS (AC08-08:33)

The Committee received a letter addressed to the Principal, from the Scottish Funding Council, outlining revised requirements in relation to internal and external audit. This replaced the SHEFC Code of Audit Practice. The Committee agreed that, while appearing to be "light touch", the document made specific reference to Good Practice recommendations contained within several other publications, including the Handbook for Members of Audit Committees in Higher Education Institutions (minute 8 *refers*) and publications for auditors. The Committee noted that the responsibility for ensuring compliance with the latter lay with the University's contracted auditors.

12. DATE OF NEXT MEETING

The Committee noted that its next meeting would be held on Thursday 23 April 2009 at 10.30 am in Committee Room 2.

UNIVERSITY OF ABERDEEN

AUDIT COMMITTEE

Minutes of meeting held on 23 April 2009

Present: Mr A Amooore (Convener), Mr G Ross, Mr B Lockhart, Mr R Bickerton, Mr A Mathieson and Professor L Ritchie, with Mr S Cannon, Ms I Bews, Ms J Sewel and Mrs R MacLure (Clerk).

Mr [REDACTED], Ms [REDACTED] and Mrs [REDACTED] were in attendance from Deloitte.

1. PRESENTATION

The Audit Committee received a presentation on the Changes to the University's Governance Structure from Mr Steve Cannon. The Convener thanked Mr Cannon for his presentation, on behalf of the Committee.

2. MINUTES

The Committee approved the minutes of the meeting held on 29 January 2009.

3. MATTERS ARISING

3.1 ANNUAL CYCLE OF BUSINESS (*Minute 8 of 29.01.09 refers*)

Ms Jennifer Sewel gave a presentation on the Audit Committee Annual Cycle of Business. This summarised the Committee's main responsibilities and demonstrated the framework of agenda items for the year.

The Committee agreed that this was a useful aide memoire and agreed to reflect upon its content in advance of the next meeting.

3.2 AUDIT COMMITTEE EFFECTIVENESS (*Minute 8 of 29.01.09 refers*)

The Convener invited Deloitte to restate the main findings of its desktop benchmarking exercise of the Audit Committee's effectiveness, which had been discussed at the previous meeting. This gave the opportunity for comment by Committee members who had not been able to attend on that occasion.

It was Deloitte's assessment that the University's practice was consistent with the Committee of University Chairmen (CUC) Guidance. Mr [REDACTED] reported that other institutions had conducted a similar desktop exercise, with some having gone on to conduct one-to-one interviews or group sessions.

The Committee agreed that it would be useful to review its operational effectiveness periodically, and that this should be done in conjunction with consideration of the Committee's Annual Report each November.

4. INTERNAL AUDIT STATUS UPDATE

The Committee received the Internal Audit Status Update (AC08-09:34) from Deloitte, noting that three reports were on the agenda for today's meeting.

In response to a question from Professor Ritchie, Deloitte stated their commitment to completing the year's schedule on time.

5. INTERNAL AUDIT REPORTS

The Committee received three Internal Audit reports from the 2008-09 Annual Plan.

5.1.1. SCHOOL OF LANGUAGE AND LITERATURE (*Report 3 of 2008-09, AC08-09:35*)

The Committee received the Internal Review of the School of Language and Literature (*Report 3 of 2008-09*).

The report was generally positive and contained only three recommendations, one Priority 3 and two Priority 4. These concerned the setting and review of Research targets, workload allocation and the labelling of moveable assets.

The Committee approved the Report.

5.1.2 INSURANCE COST MANAGEMENT (*Report 4 of 2008-09, AC08-09:36*)

The Committee received the Internal Review of Insurance Cost Management (*Report 4 of 2008-09*), which contained three Priority 3 and two Priority 4 recommendations.

The overall message was that the University had a good insurance framework in place. The recommendations included: to draw up Service Level agreements at the time of tendering for broking services; to consider the cost value of assets and whether the University might be under-insured; to consider more regular specialist asset valuations; to carry out a claims analysis to check whether it would be more economical to raise the current excess; and to review all activities where the University acquires insurance to ensure that it does not meet the requirements of an insurance intermediary. The auditor commented that the overall level of claims was lower than expected.

The Committee approved the Report.

5.1.3 CAPITAL PROJECTS – SPORTS CENTRE (*Report 5 of 2008-09, AC08-09 37*)

The Committee received the Internal Review of Capital Projects – Sports Centre (*Report 5 of 2008-09*), which contained two Priority 3 recommendations. The auditor stated that overall, monitoring arrangements were very strong and clear. The two recommendations concerned: levels of delegated authority; and the need to ensure formal confirmation from SportScotland that it was in agreement with proposed changes to the timetable for Phase 2 of the Project.

6. UNIVERSITY UPDATE REPORT ON OUTSTANDING RECOMMENDATIONS (AC08-09:38)

The Committee received the University Report on Outstanding Recommendations and indicated its disappointment with the absence of defined timeframes for overdue actions. Mr Cannon agreed that the number of "Ongoing" actions was unacceptable, and undertook to ensure that issues relating to deadline default were addressed by those responsible before the next meeting.

Ms Sewel updated the Committee on actions taken in respect of the Review of Risk Management, reporting that a report was under consideration by the Convener of the Risk Management Committee, for intended presentation at its next meeting.

7 FEEDBACK ON INTERNAL REVIEWS

7.1 Campus Services (AC08-09:39)

The Committee received and noted feedback from the Operations Manager on the recent internal review of Campus Services: Retail Operations.

8 FRAUD REPORT (AC08-09:40)

The Committee received a Fraud report from the Director of Finance, noting that the University had not suffered any financial loss as a consequence of the various activities, and that related police investigations were ongoing. Ms Bews advised that the University was continuing to reduce its use of cheques wherever possible, to further limit its exposure to the risk of further similar fraud.

Ms Sewel reported recent issues concerning fraudulent overseas websites which were purporting to be the University of Aberdeen, offering places on courses to potential students and inviting related deposit and visa payments. The matter had been reported to the Trading Standards Authority which was undertaking an investigation.

9. TENDERING FOR INTERNAL AUDIT SERVICES

The Committee noted that the tendering process for the appointment of Internal Auditors was underway. Representatives of the Committee had met with counterparts from The Robert Gordon University to draw up a short list. The deadline for receipt of tenders was 5 May 2009, with interviews to be held on 29 May 2009. A full update would be received at the next meeting.

10. TENDERING FOR EXTERNAL AUDIT SERVICES

The Committee noted that the contract for the provision of External Audit Services to the University was due to expire in December 2009, and that the tendering process for this appointment was in its early stages.

11. FREEDOM OF INFORMATION (FOI) REQUEST (AC08-09:41)

The Committee noted that the University had recently received a Freedom of Information (FOI) request for copies of the Annual Reports of the Committee, and of the Internal Auditors, for 2003 to 2008. The Committee noted that at Deloitte's request, the names of individual internal audit staff had been removed from its reports.

12. INTERNAL AUDIT REVIEW REMIT

The Committee noted a recent query from Professor Fynsk, Head of the School of Language and Literature, concerning the scope of the Audit Committee internal audit review process and its potential for overlap with other quality mechanisms within the institution, such as the Internal Teaching Review process. The Committee agreed that a response to Professor Fynsk should be prepared outwith the meeting.

13. MEMBERSHIP

The Committee noted Mr Mathieson's intention to retire from its membership, with effect from the end of the calendar year. This would coincide with the completion of the Annual Report of the Committee.

14. DATE OF NEXT MEETING

The Committee noted that its next meeting would be held on Thursday 11 June 2009 at 10.30 am in Committee Room 2.

UNIVERSITY OF ABERDEEN

AUDIT COMMITTEE

Minutes of meeting held on 11 June 2009

Present: Mr A Amoore (Convener), Mr G Ross, Mr B Lockhart,, Mr A Mathieson and Professor L Ritchie, with Ms I Bews, Mr A Stirling, Ms J Sewel and Mrs R MacLure (Clerk).

Mr [REDACTED] and Mrs [REDACTED] were in attendance from Deloitte.

Mr [REDACTED] Ms [REDACTED] and Ms [REDACTED] were in attendance from PricewaterhouseCoopers.

Apologies for absence were received from Mr R Bickerton and Mr S Cannon.

1. PRESENTATION

The Audit Committee received a presentation on the Curriculum Reform Project from Professor Bryan MacGregor. The Convener thanked Professor MacGregor for his presentation, on behalf of the Committee.

2. MINUTES

The Committee approved the minutes of the meeting held on 23 April 2009.

3. MATTERS ARISING

3.1 ANNUAL CYCLE OF BUSINESS (*Minute 3.1 of 23.04.09 refers*)

The Committee agreed to keep the Annual Cycle of Business document under review.

3.2 OUTSTANDING RECOMMENDATIONS (*Minute 6 of 23.04.09 refers*)

The Committee received an update paper from the University on Outstanding Recommendations (AC08-09:42, *copy filed with the principal copy of the minutes*) and noted that significant progress had been made in all areas. The Committee looked forward to receiving a formal follow-up report from Deloitte in due course.

4. INTERNAL REVIEW OF UNIVERSITY RISK MANAGEMENT ARRANGEMENTS (AC08-09:43)

The Committee received a paper on the Internal Review of University Risk Management Arrangements (AC08-09:43, *copy filed with the principal copy of the minutes*), noting that Mr Bickerton had been consulted during the preparation of this report.

The Committee noted that the reference to the Convener of the Audit Committee on page 10 (iv) was a typographical error, and should refer to the Convener of the Risk Management Committee.

The report had been received and approved by the Risk Management Committee at its meeting in May 2009. The Audit Committee acknowledged that while the recent Deloitte Internal Audit findings had all been accepted, it was not possible to proceed to their full implementation within the University's current Risk Management framework. The report included examples of alternative risk management arrangements within the Higher Education and commercial sectors considered suitable for the University. The report recommended the formation of a Short Term Working Group to further consider implementation of its proposals.

The Committee endorsed this approach and recommended that Mr Bickerton participate in the Group as its representative.

4.1 UNIVERSITY REGISTER OF STRATEGIC RISKS (AC08-09:44)

The Committee received and noted the University Register of Strategic Risks (AC08-09:44, *copy filed with the principal copy of the minutes*), noting that part of the Review of Risk Management would consider revisions to the University's risk methodology.

5. INTERNAL AUDIT STATUS UPDATE (AC08-09:45)

The Committee received the Internal Audit Status Update from Deloitte (AC08-09:45, *copy filed with the principal copy of the minutes*) and noted that the auditors were 78% through the annual audit plan. The Committee noted Deloitte's commitment to complete all fieldwork by 31 July 2009.

The Committee noted Deloitte's forthcoming review of Financial Controls and received an update on Deloitte's new approach to this topic, which would include assessing the University's practice against a checklist of expected controls.

6. INTERNAL AUDIT REPORTS

The Committee received one Internal Audit report from the 2008-09 Annual Plan.

6.1 VAT HEALTHCHECK (*Report 6 of 2008-09, AC08-09:46*)

The Committee received the VAT Healthcheck (*Report 6 of 2008-9, AC08-09:46, copy filed with the principal copy of the minutes*).

The Committee noted that the report was generally positive, containing one item at Priority Level Two and four at Priority Level Three. The main finding concerned an issue related to the Cedar financial system.

The Committee approved the report.

7. EXTERNAL AUDIT PLAN 2008-09

The Committee received the External Audit Plan 2008-09 (AC08-09:47, *copy filed with the principal copy of the minutes*).

Mr [REDACTED] of PricewaterhouseCoopers (PWC) acknowledged Deloitte's recent work on Financial Controls (*Minute 5 refers*) and reported an imminent meeting to discuss Deloitte's approach and findings which would help inform PWC's own work.

The Committee noted the long-term intention to align United Kingdom and International accounting standards.

The External Auditor had no major issues to report at this time.

Note by Clerk: The Internal and External Auditors left the meeting at this point.

8. TENDERING FOR INTERNAL AUDIT SERVICES (AC08-09:48)

The Committee received a report on the Internal Audit Tendering Process (AC08-09:48, *copy filed with the principal copy of the minutes*).

Mr Amoores and Mr Bickerton had represented the Committee on the selection panel, which had comprised an equal number of members from The Robert Gordon University and Aberdeen University. Five firms had presented and had addressed questions from the panel.

The Convener briefly summarised the scoring process, which had resulted in unanimous agreement to recommend the joint appointment of Mazars to the Audit Committees and governing bodies of both institutions.

The Committee agreed that it would recommend to the University Court that it appoint Mazars as the University's Internal Audit Service provider, for a period of 3 years, with a possible extension for a further two years, subject to satisfactory performance, with effect from 1 August 2009.

9. FUTURE EVENT WITH THE ROBERT GORDON UNIVERSITY AUDIT COMMITTEE

The Committee noted that The Robert Gordon University Audit Committee had expressed interest in holding a future joint event. It was agreed to ask Mazars to take this forward in the first few months of their appointment.

10. TENDERING FOR EXTERNAL AUDIT SERVICES (AC08-09:49)

The Committee received and noted a paper on the tendering process for External Audit Services (AC08-09:49, *copy filed with the principal copy of the minutes*).

11. FEEDBACK ON REVIEW OF THE ANNUAL ACCOUNTS 2007-08 (AC08-09:50)

The Committee received for information the Scottish Funding Council Review of Higher Education Institutions' 2007-08 Financial Statements (AC08-09:50, *copy filed with the principal copy of the minutes*).

12. DATE OF NEXT MEETING

The Committee noted that its next meeting would be held on Thursday 8 October 2009 at 10.30 am in Committee Room 2.

UNIVERSITY OF ABERDEEN

AUDIT COMMITTEE

Minutes of the meeting held on 8 October 2009

Present: Mr A Amoore (Convener), Mr A Mathieson and Mr G Ross with Ms I Bews, Ms J Sewel and Mrs R MacLure (Clerk).

Apologies for absence were received from: Professor L Ritchie, Mr R Bickerton, Mr B Lockhart and Mr S Cannon.

Dr [REDACTED] from Mazars, the new Internal Auditor, was in attendance.

1 PRESENTATION

Mr G McKinnon from the University's Procurement Section gave a presentation on E-Procurement. The Convener thanked Mr McKinnon for his presentation, on behalf of the Committee.

2 MINUTES

The Committee approved the minutes of the meeting held on 11 June 2009.

3 MATTERS ARISING

3.1 FUTURE EVENT WITH THE ROBERT GORDON UNIVERSITY (*Minute 9 of 11.06.09 refers*)

The Committee noted that Dr Mitchell of Mazars would progress the plan for a future event with The Robert Gordon University.

4 REMIT AND COMPOSITION

The Committee received and approved its Remit and Composition (AC09:01, *copy filed with the principal copy of the minutes*).

5 INTERNAL AUDIT REPORTS

5.1 The Committee received four draft internal audit reports, and one follow-up report, from Deloitte.

5.1.1 INTERNAL REVIEW OF FINANCIAL CONTROLS (*Report 7 of 2008-09, AC09:02*)

The Committee received the Internal Review of Financial Controls (*Report 7 of 2008-09, AC09:02, copy filed with the principal copy of the minutes*).

The report contained one Priority Level 2 finding, eight Priority Level 3 findings, and one Priority Level 4 finding. The Committee noted that University Senior Management was satisfied with current controls in respect of the Priority Level 2 recommendation, which related to Human Resources' access to payroll standing data on the HR / Payroll system, and that they considered that no further action was necessary.

The Convener invited Dr Mitchell to note the Committee's preference that, in future, findings be accepted and implementation dates agreed before reports were presented to the Committee. Dr Mitchell agreed on this point.

The Committee approved the report.

5.1.2 INTERNAL REVIEW OF TRAC (*Report 8 of 2008-09, AC09:03*)

The Committee received the Internal Review of The Transparent Approach to Costing (TRAC) (*Report 8 of 2008-09, AC09:03, copy filed with the principal copy of the minutes*).

The Committee noted the Funding Council requirement to follow up TRAC on an annual basis. Deloitte's report was based on the findings of a previous Research Councils UK (RCUK) audit. Deloitte considered that seven of the 13 recommendations had been implemented, that a further four were in progress, and that there was nothing to suggest that the remaining two items would not be completed within the required timescale. The Director of Finance reported that good progress was being made and that the University had purchased software to simplify processes.

The Committee approved the report.

5.1.3 INTERNAL REVIEW OF RESEARCH GRANTS (*Report 9 of 2008-09, AC09:04*)

The Committee received the Internal Review of Research Grants (*Report 9 of 2008-09, AC09:04, copy filed with the principal copy of the minutes*).

The report contained two Priority Level 2 findings, and four Priority Level 3 findings.

The Director of Finance reported that it would not be feasible to look at every grant on a quarterly basis, within current resources. It had therefore been decided to run quarterly reports on CedAr (the University Finance database) to check that income had been claimed and expenditure correctly attributed to grants. Further, the new reporting tool, Discoverer, was to be used to produce monthly variance analysis reports.

The Committee approved the report.

5.1.4 INTERNAL REVIEW OF DATA HANDLING (*Report 10 of 2008-09, AC09:05*)

The Committee received the Internal Review of Data Handling (*Report 10 of 2008-09, AC09:05, copy filed with the principal copy of the minutes*).

The report contained three Priority Level 2 findings, and three Priority Level 3 findings.

The Priority Level 2 findings, which were accepted by the University, related to the need to develop a stand alone Data Handling Policy; and to assign responsibility for such issues. Realistic timeframes for implementation had been established.

The Committee approved the report.

5.1.5 FOLLOW-UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS FROM 2007-08 (*Report 12 of 2008-09, AC09:06*)

5.1.6 The Committee received the Follow-Up Report on Internal Audit Recommendations from 2007-08 (*Report 12 of 2008-09, AC09:06*).

The Convener requested that Mazars take responsibility for the future follow-up of these and the remaining outstanding items from the University Report (AC09:07, *Minute 6 refers*).

The Committee noted a pleasing degree of implementation of outstanding items.

6 UNIVERSITY UPDATE REPORT ON OUTSTANDING RECOMMENDATIONS

The Committee received the University Update Report on Outstanding Recommendations (AC09:07, *copy filed with the principal copy of the minutes*). It was agreed that Mazars would monitor the implementation status of these items (*Minute 5.1.6 refers*).

7 INTERNAL AUDIT STATUS UPDATE

The Committee received and noted Deloitte's Internal Audit Status Update, noting that one report remained outstanding from the 2008-09 schedule. The Committee noted that Deloitte would attend the next meeting for the presentation of their Annual Report.

8 DRAFT AUDIT STRATEGY

Dr [REDACTED] from Mazars tabled an updated draft Audit Strategy (AC09:09, *copy filed with the principal copy of the minutes*.) The three-year Strategy had been drawn up following consideration of the University Register of Strategic Risks in consultation with senior University management. Dr [REDACTED] asked the Committee to note that the programme of reviews remained flexible to respond to changes in the risk profile, with a contingency allowance of 11 days.

The Convener expressed the view that he would like some work done on the key financial controls. He considered that such work would be of assistance to the Internal Auditors. Committee members supported this view. Whilst referring to the specialist nature of Internal Audit work, Dr [REDACTED] noted the comment and agreed to consider the matter further.

The Committee approved the Audit Strategy for 2009 – 2012

9 EXTERNAL AUDIT TENDERING RESULT

The Committee received a Report on the External Audit Tendering Process (AC09:10, *copy filed with the principal copy of the minutes*), and noted that on the recommendation of the Audit Committee, the University Court had approved the appointment of KPMG for a period of three years, with possible extension for a further two years, subject to satisfactory performance, with effect from 1 January 2010.

10 RCUK FAP VISIT

The Committee received a report on the Research Councils UK (RCUK) FAP visit to the University. Their overall conclusion was that the University's performance was satisfactory.

11 DATE OF NEXT MEETING

The Committee noted a typographical error on the Agenda concerning the date of its next meeting. This would be held on Thursday 12 November at 10.30am in Committee Room 2, University Office.

The Internal Auditor left the meeting.

12 COMMITTEE COMPOSITION

The Committee noted that Mr Mathieson would be retiring at the next meeting. It was agreed to arrange a lunch to mark his contribution to the work of the Committee.

The Committee also noted that Mr Ken Murray had agreed to join the Committee, in place of Mr Mathieson, with effect from January 2010.

R MacLure 21/10/09

UNIVERSITY OF ABERDEEN

AUDIT COMMITTEE

Minutes of the meeting held on 12 November 2009

Present: Mr A Amoore (Convener), Mr A Mathieson, Professor L Ritchie, Mr R Bickerton, Mr B Lockhart and Mr G Ross with, Ms I Bews, Mr A Stirling, Ms J Sewel and Mrs R MacLure (Clerk).

Apologies for absence were received from: the Principal and Mr S Cannon.

Dr [REDACTED] from Mazars (Internal Auditors) and Mr [REDACTED] Ms [REDACTED] and Ms [REDACTED] from PricewaterhouseCoopers (External Auditors) were in attendance.

13 MINUTES

The Committee approved the minutes of the meeting held on 8 October 2009.

14 INTERNAL AUDIT REPORTS

14.1 INTERNAL REVIEW OF ADVERTISING (*Report 11 of 2008-09, AC09:12*)

The Committee received the final draft internal audit report from 2008-09, from Deloitte, the Internal Review of Advertising (*Report 11 of 2008-09, AC09:12, copy filed with the principal copy of the minutes*).

The report contained four Priority Level 2 findings. Two findings were expected to be resolved by the implementation of an on-line recruitment system, while the remaining two referred to the University's contract with its former advertising agent and were expected to be resolved within the terms of the agreement with the new agent.

The Committee approved the report.

15 INTERNAL AUDIT ANNUAL REPORT

The Committee received the Internal Audit Annual Report, Year ended 31 July 2009 (*AC09:13, copy filed with the principal copy of the minutes*) and noted that this would form part of the Committee's Annual Report to Court in December 2009. The audit programme had been delivered in accordance with the agreed Audit Plan and appropriate management responses received. The Annual Assurance Statement for 2008-09 was included in this paper and concluded that the University generally had an adequate framework of control over the systems examined.

It was agreed to suggest to Deloitte that the qualification "generally" be removed from the penultimate paragraph on page 2 of the report.

The Committee noted that two Priority One recommendations had arisen during the year, within the Review of Campus Services, Retail Operations, but was satisfied with the University's report that that both had been fully implemented. The only remaining outstanding Priority One recommendation related to the 2007-08 Review of the Students' Association. Ms Sewel reported that the University's plan to bring the administration of the Students' Association into the University had been rejected by the new sabbatical officers. In the meantime the Association was working towards implementation of all the audit report recommendations. The Committee also noted that the Students' Association was participating in the National Union of Students (NUS), Department for Business, Innovation and Skills (BIS) and Scottish Government sponsored Students' Union Evaluation Initiative (SUEI), and as part of this had recently undergone a governance review. The SUEI final audit would take place in March 2010. The Committee requested an update in early 2010.

The Committee noted that Deloitte had exceeded its projected total audit days. This was due in part to requests from the University to conduct additional reviews, and partly through difficulties in agreeing reports. It was hoped that this situation might be avoided in future.

The Committee recorded its thanks to Deloitte for their work and approved the report.

16 DRAFT ANNUAL ACCOUNTS YEAR ENDED 31 JULY 2009

The Committee received and considered the draft annual accounts prior to submission to the meeting of the Operating Board on 25 November 2009 and to the University Court on 7 December 2009.

16.1 DRAFT ANNUAL ACCOUNTS YEAR ENDED 31 JULY 2009

The Audit Committee received the Draft Annual Accounts for the year ended 31 July 2009 (AC09:14, *copy filed with the principal copy of the minutes*). Subject to a few minor amendments, the Committee, for its part, approved the accounts and recorded its thanks to the Finance Section.

16.2 COMMENTARY ON THE ANNUAL ACCOUNTS

The Director of Finance presented her commentary on the Annual Accounts (AC09:15, *copy filed with the principal copy of the minutes*). She drew the Committee's attention to the following points:

The University had received increased income from the recurrent grants for teaching and research, from research grants and contracts, and from tuition fees and support grants.

The main accounting items of note concerned retirement benefits and fixed assets.

In respect of retirement benefits, the FRS17 deficit had increased. The University had employed external consultant to review the scheme's benefits, and their report was expected shortly.

The University had recently undertaken a review of its property holdings, resulting in an unrealised gain of £1.5m in the current market value of investment properties. Further, a revaluation of properties other than investment properties had resulted in a net increase in their book value of £115.2m.

Cash reserves had fallen, as per the 10-year plan.

A loans facility was in place, but the University had not drawn upon it this year.

The Committee noted that the University had provisions in place to cover bad debts and an ongoing age discrimination dispute.

16.3 EXTERNAL AUDITORS' REPORT

Mr [REDACTED] from PricewaterhouseCoopers (PWC) presented the External Auditors' report (AC09:16, *copy filed with the principal copy of the minutes*).

Mr [REDACTED] reported that there was still some minor work to be done to finalise the Annual Accounts.

Independent checks had been carried out on the revaluation and retirement benefits figures (minute 16.2 refers) and the External Auditor had endorsed the calculations.

The Committee noted a number of accounting issues which had been identified and addressed during the audit. The most significant of these concerned: pension scheme and fixed asset revaluation issues (as noted above); treatment of grant funding in respect of the Incubator Unit; and Consolidation issues.

The Auditor drew the Committee's attention to future developments of note in respect of sustainability, the Charities Act and International Financial Standards.

The Committee recorded its thanks to PricewaterhouseCoopers and agreed to report to the University Court that it was satisfied with their work as External Auditors.

17 AUDIT COMMITTEE DRAFT ANNUAL REPORT FOR 2008-09

The Committee received a draft of its Annual Report to the University Court (AC09:17, *copy filed with the principal copy of the minutes*).

It was agreed to check the dates of two Priority Level One recommendations which appeared in Deloitte's annual report, but had been omitted from the Committee's report, and include these if necessary.

It was also agreed to include more detail on SFC guidance in the final paragraph of the report.

The Committee approved the report, subject to these minor amendments.

18 RETIRAL OF MR ALISTAIR MATHIESON

As this was Mr Mathieson's last meeting the Convener thanked him on behalf of the University and the Committee for his considerable contribution since May 2001. His thoughtful comments would be sorely missed. Mr Mathieson thanked the Convener for his comments and wished the Committee well in the future.

19 DATE OF NEXT MEETING

The Committee noted that its next meeting would be held on Thursday 28 January 2010 at 10.30am in Committee Room 2, University Office.

R MacLure 25/11/09