



**UNIVERSITY
of
GLASGOW**

Audit Committee

Annual Report 2003/2004

November 2004

**Audit Committee
Annual Report 2003-04**

of staff (a copy of the current remit is attached as Appendix 1). This followed the recommendation from the Smith Report that a member of the University staff should not serve on the Audit Committee.

2.2 Meetings

The Code states that the Committee should normally meet at least three times per year. (Section 3.16). Meetings were held as follows:

<u>Date</u>	<u>Main Business</u>
1 March 2004	Audit Committee Handbook – Advisory Document from the Treasury for Central Government Departments and Agencies Internal Audit Services Unit – Audit Plan, period to 28 February 2004. Minute of meeting of the Strategic Risk Management Committee The Lambert Report
26 May 2004	Full Economic Costing Internal Audit Services Unit – Audit Plan, Period to 30 April 2004 Audit Planning – Report by Ernst & Young LLP Public Interest Disclosure Strategic Risk Management Committee
24 November 2004	Review of the University's Financial Statements for the year ending 31 July 2004 including the Report of the External Auditors Draft Accounts of the Subsidiary Companies Internal Audit Services Annual Report 2003-04 Audit Committee Annual Report The Audit of FP6 Contracts Risk Management and Corporate Governance Strategic Risk Management Committee Audit Committee and Internal Audit – Future Shape

In addition the Committee met:

- Without the University Officers or the External Auditors following its meeting in March 2004
- with the External Auditors but without the University's officers following its meetings in May and November 2004.

3 Review of the Effectiveness of Internal Control Systems

At its meeting held on 24 November 2004 the Committee considered the Annual Report of the Internal Audit Service 2003-04 which stated that 10 reports had been issued arising from the 2003-04 programme of work and that 109 recommendations for changes or improvement had been made. Under the existing scheme of classification 19 of these were *Fundamental*, 60 were *Significant* and 30 were *Merits Attention*.

The Committee concurred with the view of the Head of the Internal Audit Service that when the recommendations made in these reports were fully implemented the system of internal control in the areas concerned would be adequate and effective. The Committee considered that monitoring of

report on the University's consolidated accounts and that they were satisfied that the University had adequate funding to enable it to continue its full range of operations.

6 External Audit Arrangements

In 2003-04 the Committee's involvement with Ernst & Young, the University's external auditor, comprised the following main elements:

- consideration of the auditor's opinion on the annual financial statements of the University for the year ending 31 July 2004;
- consideration of the auditor's opinion on the annual financial statements of subsidiary companies for the year ending 31 July 2004.

Fees paid to the external auditor in respect of the last two years are as detailed below. These amounts are disclosed in the financial statements:

Year Ended 31 July		2004	2003
		£	£
Audit Fees	Main Audit	42,330	41,295
	Consolidated Subsidiaries	7,510	7,330
		49,840	48,625
	Out of Pocket Expenses	800	800
	Irrecoverable VAT	7,547	7,367
		58,187	56,792
Other Fees	PAYE/NIC Advice	550	9,100
	PAYE advice GU Holdings	-	1,763
	Non Consolidated Subsidiaries	-	1,750
	Access Statement	700	650
	VAT advice	6,383	37,750
	Internal Audit Assistance - software	-	5,914
	Secondment to GU Holdings	-	2,925
	The UoG Trust	3,000	-
	Tax Advice – disposal of Kymata	-	500
	Tax Advice (disposal of Alcatel and Crusade shares)	1,400	-
	Audit Cttee Induction Seminar	1,250	-
		13,283	60,352
	Irrecoverable VAT	2,325	9,347
		15,608	69,699
Grand Total		73,795	126,491

Appendix 1 Remit and Membership of the Audit Committee

Remit

To oversee on behalf of the Court arrangements for external and internal audit of the University's financial and management systems and other activities and processes related to such systems.

Terms of Reference

The Committee will review and report to the Court on a regular basis on items and areas within its remit, including the following:

- the adequacy and effectiveness of the financial and management systems of the University;
- the scope and effectiveness of the Internal Audit Service, including the planning and operation of its work, particularly the annual audit plan of work, the annual report on its activities and findings and regular reports on its activities including the extent to which audit recommendations have been implemented;
- the annual financial statements and accounts before their submission to the Court;
- the external auditor's report and the outcomes of its findings;
- the nature and extent of risk to the University's objectives and the effectiveness of the management controls in place for avoiding or minimising such risks;
- the effectiveness of arrangements for:
 - (i) the investigation of questions of financial irregularity or impropriety;
 - (ii) economy, efficiency and effectiveness and the achievement of value for money in the management of the University's resources;
 - (iii) the safeguarding of the assets of the University and of the use of its funds, particularly funds deriving from the public sector;
 - (iv) proper corporate governance if the Court considers there to be any shortcomings in relation to it.
- the criteria for the provision of internal audit for the University, including services provided in-house and services which may be provided by third parties;
- the appointment, remuneration and scope of the work of the external auditor;

The following officers will be in attendance at the meeting:

Principal
Secretary of Court
Head of the Internal Audit Service
Director of Finance

The external auditors will attend the meeting at which the annual accounts are discussed. The external auditor may attend other meetings as are mutually agreed between the external auditor and the Convener of the Committee.