

Audit Committee Report to Court, December 2006

1 Introduction

The Code of Audit Practice issued by the Scottish Funding Council in September 1999 states that the Audit Committee should submit an annual report to Court. This should include the Audit Committee's assessment of the adequacy and effectiveness of the institution's internal control system and the extent to which the Governing Body can rely on that system. This annual report summarises the work of the Committee for the year up to and including its meeting on 23 November 2006.

2 Summary of the year's work

The following are the major issues addressed by the Committee in the 12 months commencing December 2005.

.1 Outsourcing of Internal Audit

Following the resignation of the Head of Internal Audit in December 2005, the Committee recommended to Court that the internal audit service be outsourced.

.2 Appointment of external auditors

The Committee managed the process for the appointment of external auditors, leading to the engagement of Ernst & Young in February 2006. Ernst & Young will undertake external audit for the financial years up to and including 2009/10.

.3 Appointment of internal auditors

Subsequently, following Court's decision on outsourcing, the Committee managed the process for the appointment of internal auditors, leading to the engagement of Deloitte and Touche in June 2006, for an initial period of three years.

.4 Financial accounts

The Committee reviewed the University's accounts for 2005/06 and the external auditors' comments on them. The audit opinion was unqualified and the accounts reflected a significant strengthening of the University's financial position.

.5 Internal Audit reports

The Committee received reports on several significant internal audits in the course of the year. These included major University-wide reviews of income and expenditure systems, identifying several areas that require improvement and will be examined through follow-up audits in the coming year. They also included a review of the operation of the 2005 Voluntary Severance Scheme. This identified administrative shortcomings in the operation of the scheme, but demonstrated that the significant policy and control weaknesses associated with the University's previous voluntary severance scheme had been effectively addressed in 2005.

.6 Internal Audit Plan

The Committee introduced an additional meeting to its annual cycle, in October, that focused exclusively on internal audit work. The meeting saw agreement of the Internal Audit Plan for the following 12 months.

.7 Risk Management

The Audit Committee approved a revised risk register, as prepared by the Strategic Risk Committee, and members of the Committee participated in a risk workshop run by Deloitte and Touche.

.8 Networking and sharing good practice

Finally, the convener was instrumental in promoting two inter-University events designed to share good practice. A joint audit committee seminar was held in early November with committee members from Glasgow Caledonian and Strathclyde Universities, and a seminar of Scottish HE audit conveners took place at Glasgow University on 29 November.

3 Adequacy and Effectiveness of Internal Control Systems

On the basis of the internal audit work undertaken in the course of the year, and of the comments of the external auditors on the University's financial statements, the Audit Committee is satisfied that the University has adequate systems of internal control. The Committee believes that these systems have been enhanced this year with the outsourcing of the Internal Audit service.

4 Membership of the Committee

In the course of the year, Keith Nimmo demitted office and two new appointments were made: Scott Cairns, a property professional and former member of Court, and Margot Manson, a solicitor. Membership of the Committee at its meeting in November 2006 was:

Tom O'Connell (Convener)
David McVicar (Deputy Convener)
Scott Cairns
Margot Manson
Elizabeth Simpson

David McVicar's period of office is now at an end and the Committee would like to place on record its appreciation of his service over eight years. The Convener of the Committee is now discussing with Nominations Committee the arrangements for appointing a replacement for David McVicar and also for filling a vacant Court member vacancy.

DN, TO'C, 14.11.06