UNIVERSITY OF GLASGOW

Audit Committee

Minute of Meeting held on Thursday, 2 October 2008
in The Carnegie Room

Present:

Mr Hamish Guthrie, Ms Margaret Manson, Mr Tom O'Connell (Convener), Ms Elizabeth Simpson (Vice-Convener), Mr Kevin Sweeney

In attendance:

Mr Sandy Macdonald (Director of IT Services, for IT related issues under agenda item 8), ████████ (Ernst & Young), ████████ (Deloitte & Touche LLP), ████████ (Deloitte & Touche LLP), Mr David Newall (Secretary of Court), The Principal (in attendance for items on risk), Mr Robert Speir (Group Financial Controller), Mr Robert Fraser (Director of Finance), Ms Paula Vinaccia (Clerk)

Apologies:

████████████████

AUDIT/2008/01. Minutes of the meeting held on 21 May 2008

The Minutes were approved as a correct record.

AUDIT/2008/02. Matters Arising

Handbook for Members of Audit Committees in Higher Education Institutions

Internal Audit will report any gaps between the guidance and current practice at the November meeting and the Committee will then consider whether any issues need to be addressed.

AUDIT/2008/03. Internal Audit Update

Internal Audit reported the results of 7 reviews in the following areas: tendering; space management; capital project management; bank reconciliation processes; project management; business continuity management; and the follow up of recommendations issued during 2006/07. A report was provided on the results of a risk workshop held in September. An audit needs assessment exercise was carried out and the proposed plan for 2008/09 was provided for approval.

There were 10 priority 1 points arising from 2007/08 reviews in comparison with 31 the previous year. The key points noted were as follows:

Tendering

There were inconsistencies in policies, procedures and information provided to staff and the level of authorisation and approval was insufficient. In comparison with other institutions, the level of resource in this area was low.

Space Management

The procedures and controls were generally sufficient but a number of areas could be strengthened in order to improve the efficient use and management of space.

gla.audit/audit/minutes/2008-10-2/1

Capital Project Management

A review of 2 major on-going projects identified a number of areas requiring improvement. The main issues related to: completion and reporting of project risk registers; formalisation of project sign-off and change controls; formal capital approval and governance guidance; project procurement transparency; formalisation of the project decision-making responsibilities; and, consistency in the involvement of and formal sign-off by the Territorial Management Accountants. It was agreed that a more formal project management framework with formal guidance would provide a great deal of benefit in this area, in particular regarding the costs involved. It was noted that the project manager was the key person in the management of a project and that effective project managers were required.

Bank Reconciliations

An extensive review of the bank reconciliation process had provided a reassuring result. The main recommendation related to the need for a formalised review of bank reconciliations by management.

IT Project Management

A high level review of the project management processes was carried out which included controls over project management, project support and the project life cycle. Recommendations surrounded the need to ensure consistency and control across all University projects including greater resource planning.

Business Continuity Management

Business Continuity is a responsibility of all departments and it was noted that, following a central initiative in 2007 to roll out good practice in Business Continuity Management, many departments had not yet produced a Business Continuity Plan. It was noted that the lack of progress was due to lack of resource rather than priority. The Secretary of Court confirmed that this would be driven centrally with the involvement of the Senior and Services Management Groups. He also informed the Committee that there is a University Emergencies Planning Group that considers the University's response to potential major crises.

Follow Up

Internal Audit reported the conclusion of the review of 2006/07 and prior recommendations. The Committee noted that Internal Audit had carried out sample testing, reviewed documentation or met with staff, to provide independent verification in support of the system of internal follow up. It was noted that 47% of recommendations had been fully implemented and 36% partially implemented. Two Priority 1 recommendations had not been implemented and 18 Priority 1 recommendations had been partially implemented.

Risk Workshop

An annual risk workshop was held in September involving members of senior management, Court and the Audit Committee. A prioritised list of the top 20 risks impacting the University in the achievement of its objectives was identified. It was noted that the risks identified by the University were not dissimilar to those of other universities.

Other

The Committee noted that fieldwork had been completed or was ongoing in the following areas: IT Network Security; Absence Management; Strategic Performance

Management; IT Resource Management; IT Data Handling; Purchasing to Pay; and, Commercial Pricing which would be reported under the 2008/09 plan.

Internal Audit Plan for 2008/09

The Committee approved the Internal Audit Plan for 2008/09.

AUDIT/2008/04. Statement of Recommended Practice: Accounting for Further and Higher Education (SORP)

The Committee noted the options available for the accounting of heritage assets, valued at c£359m, resulting from the new SORP and 2 exposure drafts which required either capitalisation or disclosure. The options were to; seek valuations and capitalise heritage assets; disclose the nature of heritage assets held; or, take no action until a Standard comes into operation. The Committee noted the proposal to adopt a disclosure only approach and that only those items required by the SORP should be disclosed. It was agreed that after the Finance Committee had considered and approved the approach the University should adopt, this item should be considered for approval by the Audit Committee.

The Committee commended the Director of Finance and Group Financial Controller for the comprehensive and excellent summary of the key issues and the options available.

AUDIT/2008/05. Corporate Structure

The Committee thanked the Director of Finance and Group Financial Controller for providing an informative summary of the entities associated with the University, their role and significance. It was agreed that this should be updated and provided to the Committee annually.

The Committee queried whether the University had a policy regarding the acquisition of University-related website addresses. The Secretary of Court informed the Committee that there was no formal policy but that, for example, an unused "Glasgow Business School" address had been acquired to deter its use by others. It was agreed that the existence of University-related website addresses should be investigated.

AUDIT/2008/06. Draft Financial Regulations

The Group Financial Controller informed the Committee that the Regulations had been provided to the Faculties and Audit Committee for comment. Thereafter, they would be provided to the Finance Committee for approval. The document had been compiled so that very little change would be required to keep it up to date and it would be linked to underlying policies. The Committee considered whether risk management should be incorporated into the Regulations. It was agreed that where possible reference would be make in the Regulations to responsibilities regarding risk management and that regulations regarding risk management and internal controls should be documented separately, to sit alongside the Financial Regulations. The Committee agreed that the draft Financial Regulations provided a concise and informative reference document for the main University financial requirements and that any further comments should be communicated to the Group Financial Controller.

AUDIT/2008/07. Implementation of Outstanding Priority 1 and 2 Recommendations

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

Finance Office

The Group Financial Controller reported that 9 action points had been completed since the last Audit Committee meeting. Of the 79 recommendations, 41 had been implemented (52%) and 25 had been partially implemented (32%). Systems or process development work was required in order to implement 20 of the outstanding 38 points and targets had been established for implementation of the remaining 18 points to be completed within 18 months.

Departments other than the Finance Office

The Secretary of Court reported that a further 6 of the 2006/07 recommendations had been fully implemented, bringing the total to 77 of 105. Twenty recommendations had been partially implemented and 8 not implemented. Work was either underway or planned with regard to campus security, disaster recovery, network management, software management, research and development and Registry revenue. A further 6 audits had been finalised in financial year 2007/08 and, of the 42 recommendations made, 15 remained to be implemented, including 3 Priority 1 recommendations. The recommendations arose from audits carried out in Data Protection and HR records, Heritage Assets, International Student Recruitment, Library Procurement, Research Assessment Exercise and Staff Development Service. Work was underway to address the outstanding recommendations.

The Director of IT Services attended the meeting to update the Committee on IT related issues:

- *Disaster Recovery*
  Steps had been taken to improve procedures surrounding disaster recovery including the refurbishment and enlargement of 2 main computer rooms, improved links to back-up servers and improved availability of stores across campus. The underpinning infrastructure had been improved with greater use of central services by most Faculties. It was noted that work would be ongoing in this area to ensure that all storage devices across the University meet the requirements. The Director of IT Services informed the Committee that to test disaster recovery would be a major undertaking. There have been 3 serious failures in recent years and in all 3 cases no data was lost. With this in mind and with a consistent proven track record, the benefit of carrying out a major disaster recovery test was difficult to justify.

- *Network Security*
  The University IT infrastructure involved agreed areas of devolved authority within a corporate framework. Work was continuing to achieve greater consistency in network management throughout the campus and greater efficiency in the use of resources.

- *Password Length and Policy*
  Historically, users had more than one username and password. Single sign-on is now being provided with Standard Desktop Version 5 being implemented across the University. A proposal will be submitted in 2008 regarding password policy including the enforcement of a regular change of password.

- *Software Licencing*
  Due to devolved control, a large percentage of Departments bought and installed software independently in support of diverse academic requirements. A program has been run centrally to identify software held on approximately 5000 central computers and the results indicated that the majority of software was covered by licences already held by the University. This reassurance has led to a reduced priority rating in this area by IT Services though work will continue in order to compile and maintain a software register and ensure licences are in place.

- *Change Management Helpdesk*
  The adoption centrally and by Faculties of a helpdesk has been a success with a procedure in place to record and date stamp reported incidents. This creates a basic

platform of information which can be used to produce reports and Key Performance Indicators.

- *Physical Access*
  The equipment held in the Management Information Services room will be moved to the recently refurbished James Watt Building. Otherwise, all recommendations have been implemented in this area.

- *Anti-Virus Software*
  The University will continue to use Sophos Anti-Virus Software.

The Convener thanked the Director of IT Services for providing such a detailed and useful update on the progress of IT related recommendations.

The Convener informed the Committee that Court had been provide with an update on Audit recommendations at its June meeting and this had been well received. The Committee agreed that progress was being made and the reports were otherwise noted.

AUDIT/2008/08. Allegations of Research Misconduct 2007/08

The Committee noted that 3 incidences of potential Research Misconduct had been reported in 2007/08.

AUDIT/2008/09. Any Other Business

9.1   Farewell

The Committee noted that Mr. Scott Cairns had resigned his membership of the Committee prior to the meeting. The Convener noted thanks to him for his invaluable contribution and assistance to the Committee.

9.2   Audit Committee Convenership

The Secretary of Court informed the Committee that the Nominations Committee would be making a recommendation to the October meeting of Court regarding a new Convener of Audit Committee. If approved, the new Convener would take up the position after the November 2008 meeting.

9.3   Audit Committee Vacancies

The Committee noted that steps were being taken to replace the current and forthcoming Audit Committee vacancies.

AUDIT/2008/10. Date of Next Meeting

Wednesday, 5 November 2008 at 10am in the Melville Room.

Prepared by: Paula Vinaccia, Clerk to Committee, p.vinaccia@admin.gla.ac.uk

Last modified on: Tuesday, 14 October 2008